

Leadership Certificate for Nonprofit Chief Executives

Week 3: Assessing Performance

BoardSource[®]

Welcome back!



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Series Conclusion

SESSION 1 Thursday, March 9

- Constructive Partnership

SESSION 2 Thursday, March 16

- Structuring the Work of the Board

SESSION 3 Thursday, March 23

- Supporting and Evaluating Performance

About the Series: Objectives

SESSION OBJECTIVES

1. **Define “constructive partnership”** and name at least one strategy or tool that can help facilitate a balance in roles and responsibilities between the board and the Chief Executive.
2. **List at least three of five areas** in which the Chief Executive and the Board Chair have the opportunity to **positively structure the board’s work**.
3. **Describe the Chief Executive’s role in developing future board leadership** and identify 1-2 ways to do so.

Chat: Your Take-Aways

What have you decided to do as a result of the material covered in week two?

Discussed in Week 2

1. There are five primary ways to structure the work of the board: through nominations, meetings, committees, and strategic planning and donor development.
2. The Chief Executive is well-positioned to play an active role in board recruitment.
3. Meeting participation can be enhanced through strategies such as catalytic questions, meeting evaluations and themed meetings.




Week Three: Assessing Performance

I. Organizational Performance

II. CEO Performance

III. Board Performance

IV. Planning for Transitions



"He who would
search for pearls
must dive below."

John Dryden

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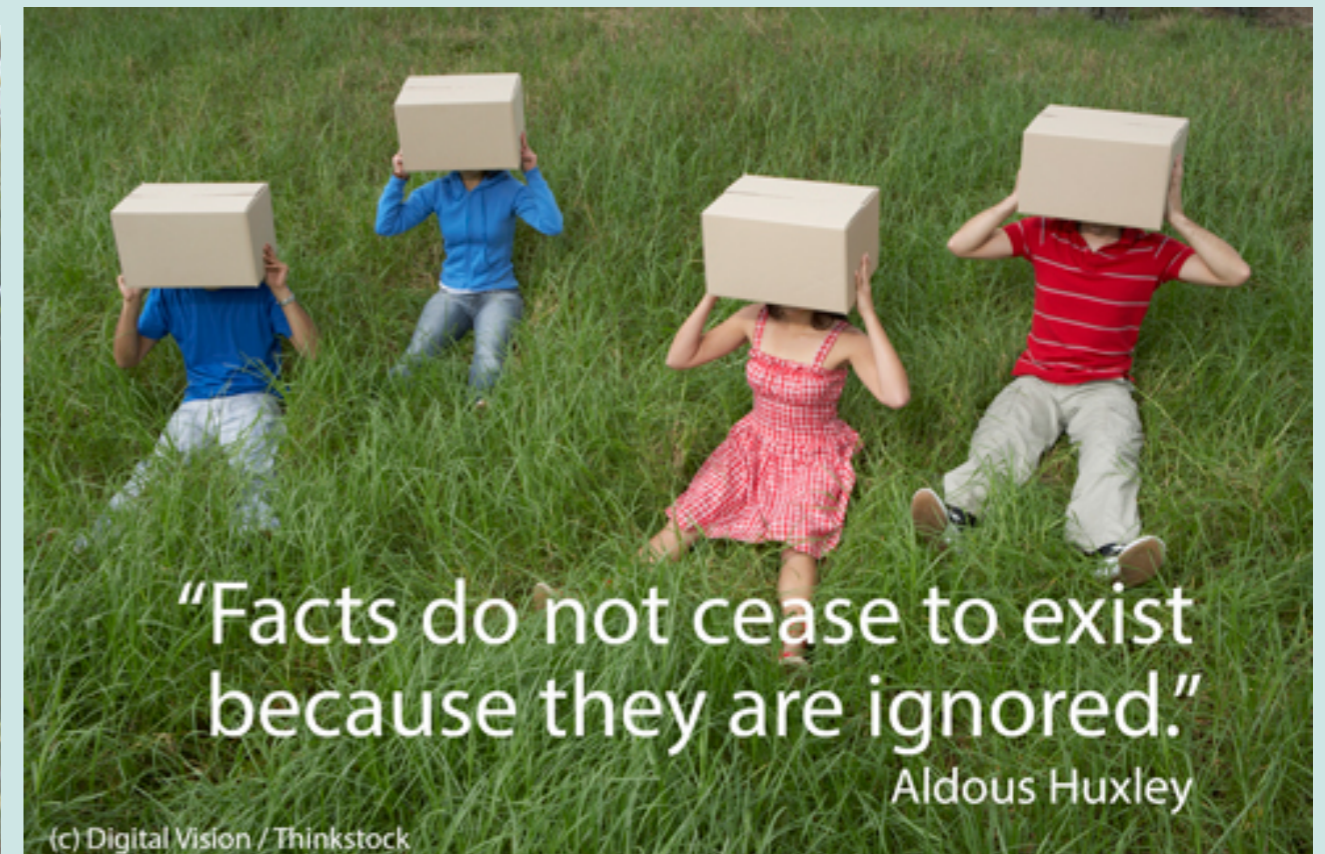


"What gets measured, gets managed."
Peter Drucker

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I. Organizational Performance

Monitor the Quality and Effectiveness of Programs & Services



Evaluating Organizational Performance



Poll

My board's knowledge of our strategy and programs is:

- a. Not as great as staff knowledge, but is appropriate to fulfill their governance responsibilities;
- b. Less than ideal, but is/has been moving in the right direction;
- c. Not ideal/leaves something to be desired.

Work: Strategy & Programs

What We Found

- Boards are doing a mediocre job at monitoring programs and setting direction.
- Two-thirds of CEOs give their boards an A or a B in these areas. Chairs think the board is doing noticeably better on 2 indicators:
 - Understanding the mission A- chairs 71%; CEOs 50%
 - Knowledge of the organization's programs: A – chairs 29%; CEOs 15%
- Furthermore, while 81% of boards approve the final strategic plan, only 20% of CEOs give their boards an A for effort in adopting and following it.

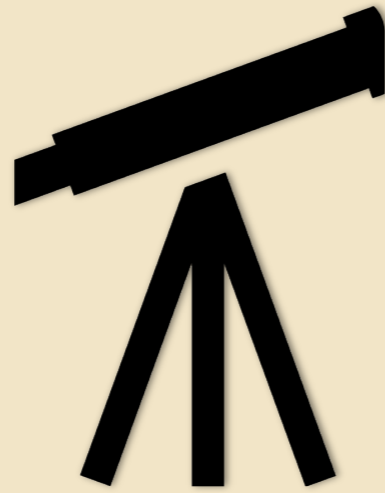
Why It Matters

- Management is closer to programs, operations and the field than the board, which makes it challenging for boards to provide strategic guidance and oversight.
- In practice, the CEO is often the lead partner in these areas, and it is incumbent upon the management to provide the board with regular, appropriate information and to engage the board in high-level strategic issues and decisions.

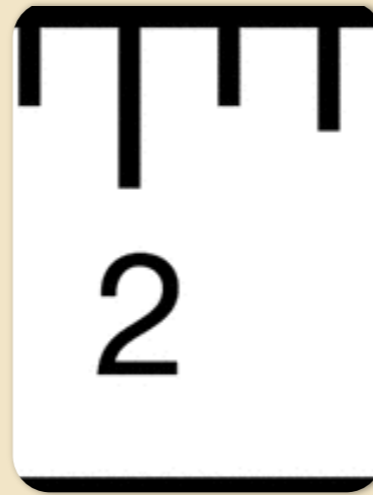
Organizational Performance: Executive's Role



Listens



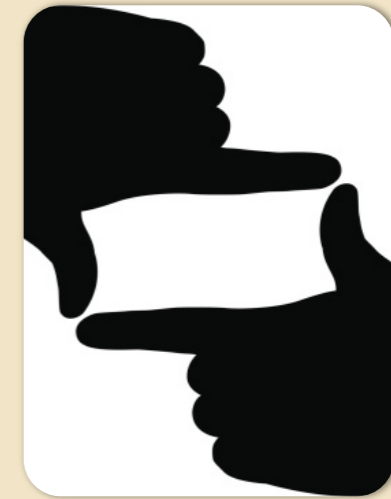
Clarifies



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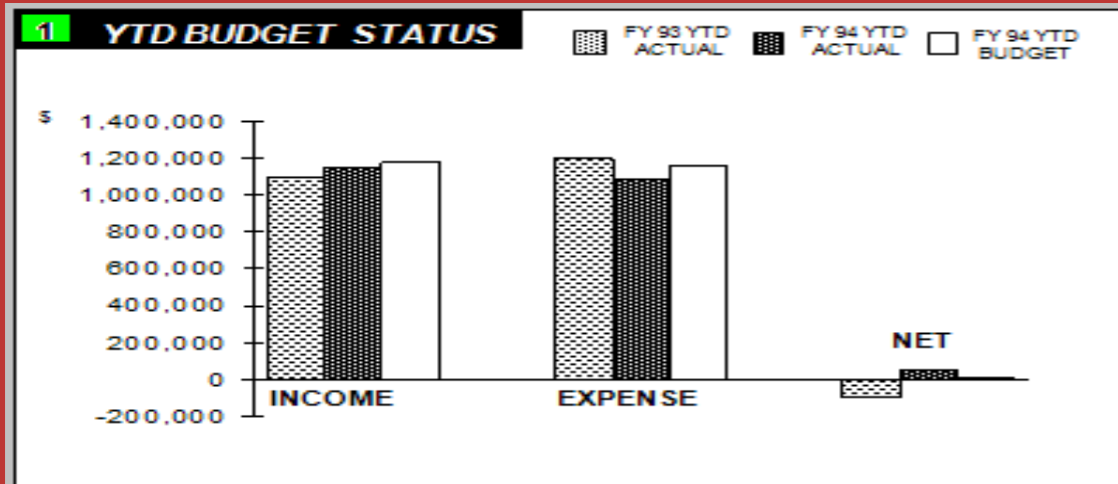


Makes
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Frames
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Sample Dashboard

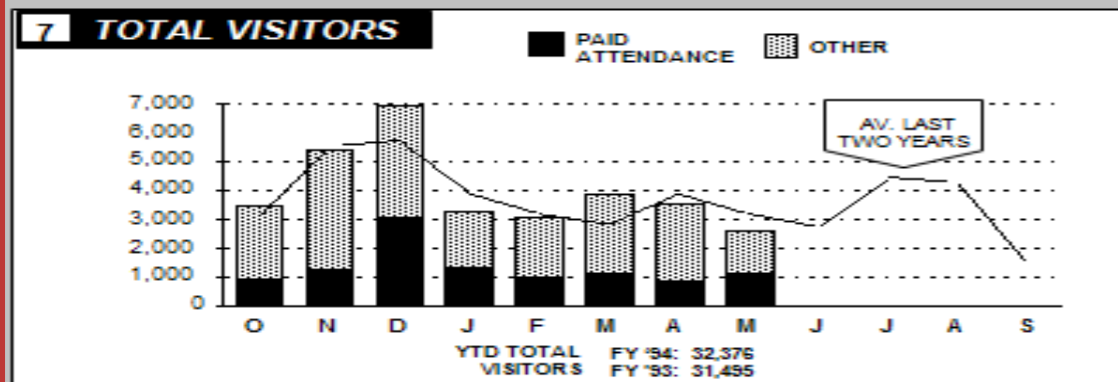
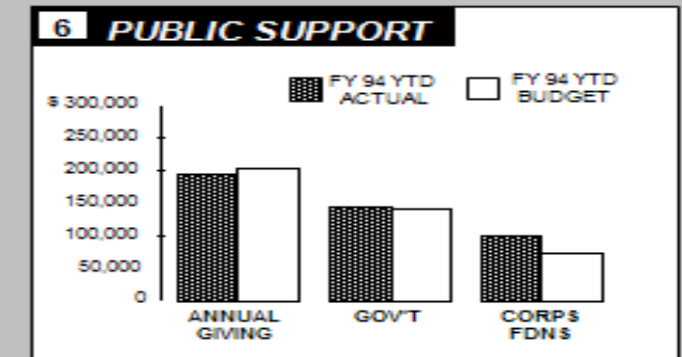
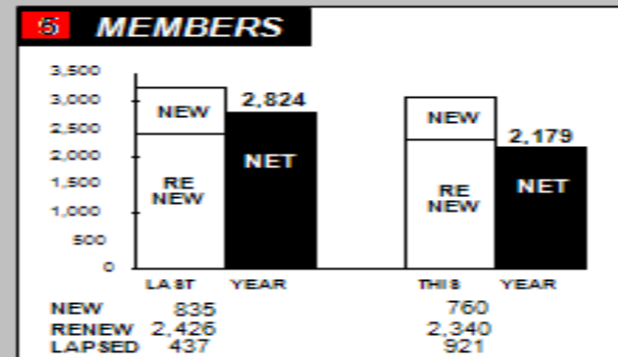
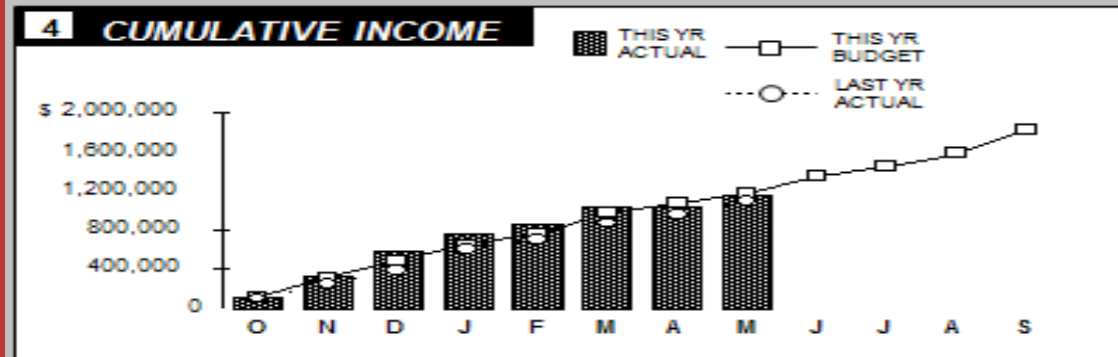
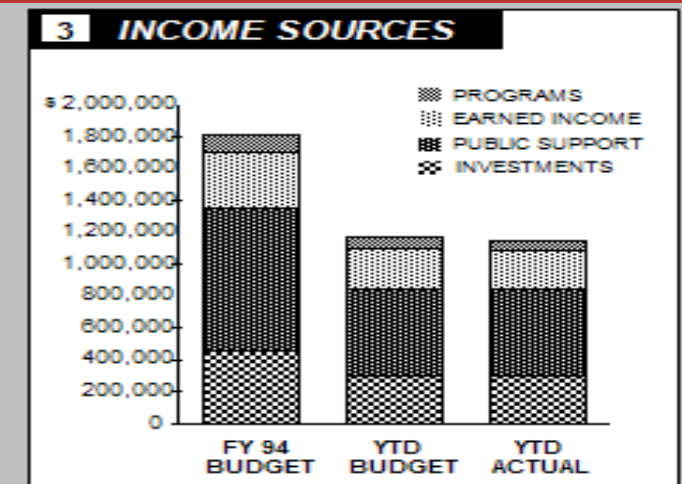


2 SUPPORTING DATA

YTD \$	'93 ACT	'94 ACT	'94 BUD
INC	1,099,550	1,146,569	1,174,845
EXP	1,193,264	1,090,188	1,162,444
NET	(93,714)	56,380	12,401

INCOME SOURCES

	'93 ACT	'94 BUD
PROGRAMS	66,343	76,730
EARNED INCOME	234,157	250,450
PUBLIC SUPPORT	542,129	543,725
INVESTMENTS	303,940	303,940



HIGHLIGHTS

- 5 MEMBERSHIP:** Total membership declined by 645 since last year -- or 22.8%. More troubling is that over twice as many members lapsed during this period -- 921 compared to 437. Had the lapses remained constant, our membership would have declined by only 5.7%.
- 1 BUDGET STATUS:** Income is ahead of last year but below budget. By controlling expenses, YTD net is significantly greater than last year and almost 5x this year's budget.

Chat: Opportunities and Challenges

With respect to sharing program data and effectiveness with board members...

- What do you find *easiest* to convey?
- What do you find *hardest* to convey?

EASY

HARD



II. CEO Assessment

Benchmarking and Rewarding Performance



CEO Assessment

**Program/
Services
Evaluation**



**Board
Self-Assessment**

CEO Assessment

Culture: CEO Relations

What We Found

- 95% of large, 84% of medium, and 69% of small organizations have evaluated the CEO's performance within the past 2 years.
- 83% of CEO performance reviews include a formal, written evaluation.
- Only one-half of the boards gather feedback from the full board, and one-quarter of the boards invite feedback from senior staff.
- Only 75% of CEO performance evaluations are shared with the full board.

Why It Matters

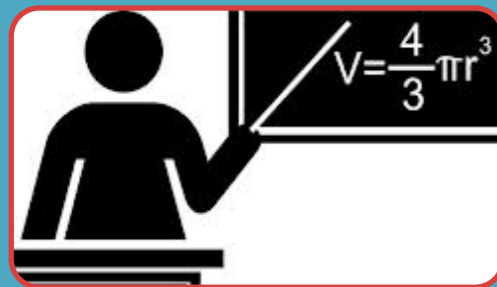
- All boards should evaluate the chief executive's performance annually.
- The chief executive can remain accountable for his or her performance only if the position is well defined (and documented in a written job description) and annual goals are mutually agreed upon by the board and CEO.
- A formal CEO evaluation benefits and protects both the chief executive and the board. The full board collective responsibility for hiring and firing the CEO. Even if the chair or a committee leads the evaluation, all board members should be given the opportunity to provide feedback and review the final assessment.



Why a CEO Assessment?



Opportunity to express support and appreciation



CEO performance affects organizational performance



Regular, planned feedback is preferable to reactive, or change-induced feedback



Neglect can be costly

Role of the CEO in CEO Evaluation



Performance Evaluation by the Board

Who Participates?

- Full board participation
- Process management by the relevant committee, task force, chair or other lead

When Should the Evaluation Take Place?

- Fiscal year end (formal evaluation)
- Ongoing, informal check-ins are helpful

What is Being Evaluated?

- Quantitative and
- Qualitative factors



Components of an Effective Performance Evaluation

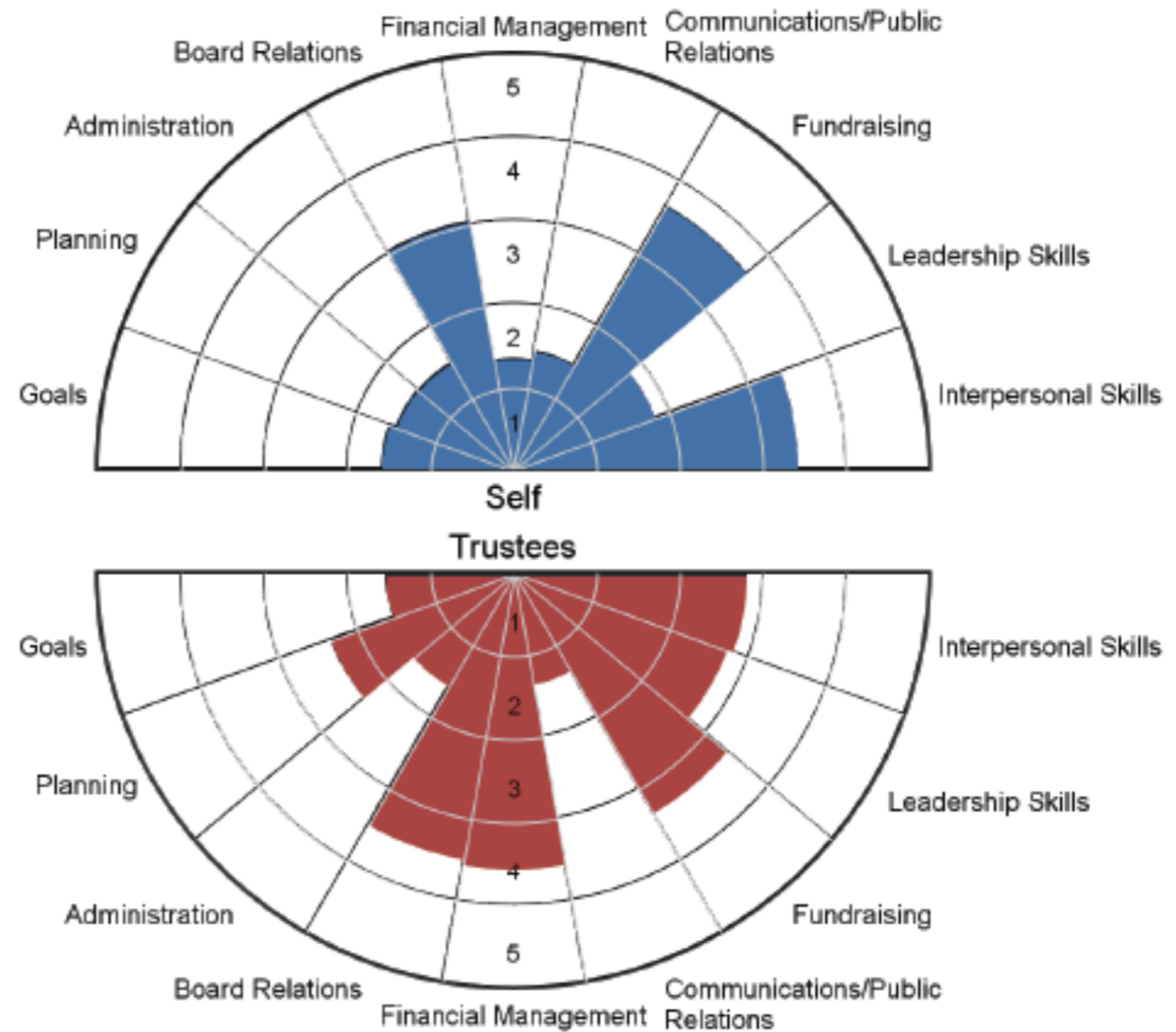
**Job
Description**

Expectations

Process

SAMPLE TOOL: Assessment Categories

1. Annual goals
2. Planning: Vision, Mission, and Strategies
3. Administration
4. Board Relations
5. Fiscal Management
6. Communication/Public Relations
7. Fundraising
8. Leadership Skills
9. Interpersonal Skills



III. Board Self-Assessment

Measuring What Matters and Setting Priorities



Board Self-Assessment



**Program/
Services
Evaluation**

**Board
Self-Assessment**

CEO Assessment

Culture: Leadership & Board Dynamics

- 52% of boards have conducted a board self-assessment recently
- 29% have never done one

Large Boards are more likely to have done a Self-Assessment

- Large Orgs (67%)
- Small Orgs (44%)

Why It Matters

- CEOs of boards that have done a Board Self-Assessment report:
 - Higher performing boards
 - Better board orientation
 - Greater board engagement
- Only through structured self-reflection can board members judge their collective performance, understand the extent of their individual responsibilities, and take action to improve board performance.

Board Assessment & Board Performance

Figure 28. Improved Board Report Cards: Board Self-Assessment (Q10.2, 9.1 CEO)

	Assessment within past 3 years	No assessment within past 3 years
Board Performance	A + B	A + B
Financial oversight	89%	80%
Provide guidance and support to CEO	79%	65%
Level of commitment and involvement	75%	66%
Adopt and follow a strategic plan	73%	57%
Understand board's roles and responsibilities	72%	57%
Evaluate the CEO	72%	52%
Fundraising	38%	31%
Board chair establishes clear expectations of board service	67%	48%
Majority of board actively engaged in governing the organization	85% agree	72% agree
Orientation process is effective	75% agree	57% agree

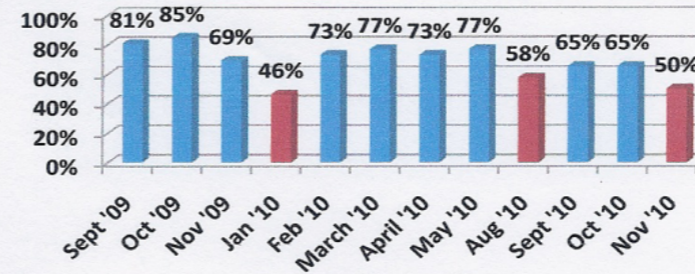
Board Self-Assessment: CEO Role



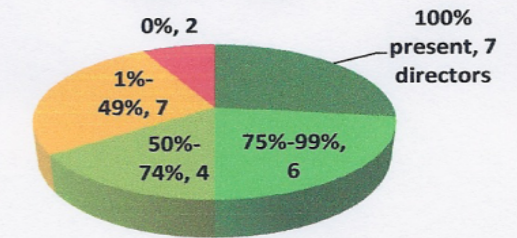
TOOL: Governance Dashboard

ACME Nonprofit for Everything Good Board of Directors Dashboard as of January 2011

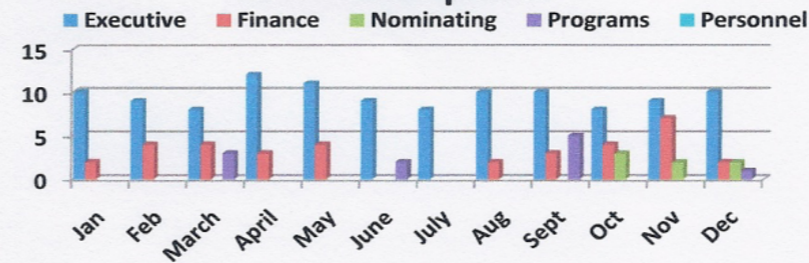
% Board Meeting Attendance (26 Members; 9 Meetings Annually)



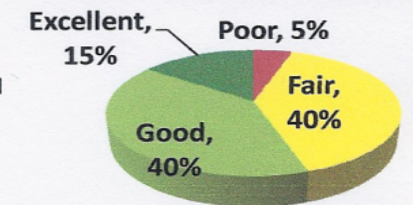
Individual Member Attendance



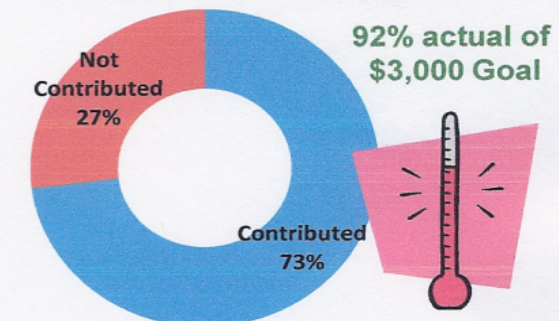
Committee Meetings & # Participants



Overall Rating of Last Board Meeting



Director Contributions



Priority	Organization Goal/Objective	Status
A	ACME is growing its programs & services	
5	Innovate new and improved activities	
2	Recruit/retain necessary volunteers	
1	Reach an increasing number of participants	
9	Maintain funding commensurate with service delivery	
10	Validate workplan initiatives against expected results	
B	ACME's policy voice is sought out and influential on "Everything Good"	
3	Be the primary source for data, policy examples, & best practices information	
8	Educate key decision-makers	
C	ACME is the premier network/partner for like-minded orgs	
4	Engage state/local groups as active participants in forums	
6	Develop "inter/intra-state" solutions/standards	
7	Share best practices among groups	

Other Board Actions:

- 100% completed required signed COI Annual Disclosure
- 49% sent advocacy letters in 2010
- 35% attended most recent Community Info Event
- 15% made thank you calls to sponsors
- 3 board positions still open
- Carryover project from '09 & '10— CEO Succession Plan

\$Finance Tweet: Income -17% (contributions & investments), but expenses cut (2 staff positions) for slight year-end surplus 2 stabilize "6-month" net assets\$

TOOLS: Board Assessment

MINI BOARD SELF-ASSESSMENT SURVEY

Review the list of basic board responsibilities. Indicate whether, in your opinion, the board currently does a good job in an area or whether the board needs to improve its performance.

	DOES WELL	NEEDS WORK	NOT SURE
Organization's Mission			
Do we use it as a guide for decisions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does it need to be revised?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategic Planning			
Do we have a clear sense of direction? Have we approved major goals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have we established measurements for monitoring progress?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Program Evaluation			
Do we have criteria for determining program effectiveness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Resources			
Do we understand the organization's income strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do all board members participate actively in fundraising efforts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal Oversight and Risk Management			
Does the budget reflect our strategic priorities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do we have a firm understanding of the organization's financial health?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship with the Chief Executive			
Is there a climate of mutual trust and respect between the board and the chief executive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the executive receive a fair and comprehensive annual performance review?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board-Staff Relationship			
Do all board members refrain from attempting to direct members of the staff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do board and staff treat each other with respect?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public Relations and Advocacy			
Are all board members actively promoting the organization in the community?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do we understand the organization's public relations strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board Selection and Orientation			
Does the board have the necessary diversity of perspectives and other resources needed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do new board members get an effective orientation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board Organization			
Do board meetings make effective use of the time and talents of board members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do our committees contribute to the effective functioning of the board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

INDIVIDUAL BOARD MEMBER SELF-EVALUATION FORM

Use the following questions for individual board member evaluation. Board members answering yes to these questions are likely to be fulfilling their responsibilities as board members.

	Yes	No	Not Sure
1. Do I understand and support the mission of the organization?			
2. Am I sufficiently knowledgeable about the organization's programs and services?			
3. Do I follow trends and important developments related to this organization?			
4. Do I assist with fundraising and/or give a significant annual gift to the organization?			
5. Do I stay informed about the organization's financial health?			
6. Do I have a good working relationship with the chief executive?			
7. Do I recommend individuals for service to this board?			
8. Do I prepare for and participate in board meetings and committee meetings?			
9. Do I act as a good-will ambassador for the organization?			
10. Do I find serving on the board to be a satisfying and rewarding experience?			
11. Do I attend at least 75% of board meetings during the year?			

THE BOARD BUILDING CYCLE / © 2007 BoardSource

TOOL: Board Development Action Plan

SAMPLE – Board Development Plan

Developing, educating, or building your board all have the same objective: to create an effective board that is conscious of its own role and responsibilities, motivated by the mission of the organization, willing and able to actively participate in board leadership, and qualified to guide the organization toward progress. A good board development plan will promote board members' continuous growth and learning.

Organization name: _____

This plan covers the following time period: _____

<i>Priority Tasks</i>	<i>Primary (& Secondary) Task Owners</i>	<i>Estimated (or Goal) Completion Date</i>	<i>Tools, Resources, Supports, and/or Information Needed for Success</i>
A. SET DIRECTION			
Setting direction requires the board to look beyond the immediate horizon by developing a shared vision, articulating guiding values for organizational action, establishing major goals, and outlining strategies for achieving those goals.			
1. Mission			
EXAMPLE: Our board will improve the ways in which we "use the organization's mission and values to drive decisions" (1.5) by incorporating an explicit discussion of our mission and values at the next board retreat.	Primary: Governance Committee Chair (planning the retreat) Secondary: Executive Director (coordinating with the retreat facilitator)	By the date of the board retreat, TBD sometime in June.	<ul style="list-style-type: none"> • Current mission statement • Prior mission statements, if any • Statement of organizational values, if any • Satisfaction data from our clients/stakeholders
2. Strategy			

IV. Plan for Transitions

Lay the Groundwork for Changes in Leadership



Culture: Leadership & Board Dynamics

What We Found

- Despite many boards having term limits for their board chairs, board succession planning remains a vexing challenge for at least one-half of the boards.
- Only 49% of CEOs, compared to 67% of board chairs, agree that their organizations have an effective process in place for officer succession.
- Chief executives, who are likely to navigate several chair transitions, cite building a board leadership pipeline among the top five most important areas for board improvement.

Why It Matters

- Electing a good chair is too important to leave to chance.
- Effective board leadership contributes to strong board performance in terms of internal and external functions.
- Officer succession planning should be an ongoing activity for every board.
- Boards need to identify and nurture promising leaders.
- They can do this by rotating committee assignments, giving promising leaders other leadership positions (committee or task force chair), providing board developing training, and asking experienced board members to mentor upcoming leaders.



Chat: What Strategies Do You Use to Prepare for Transitions?



Chief Executive's Role in Planning for Transitions

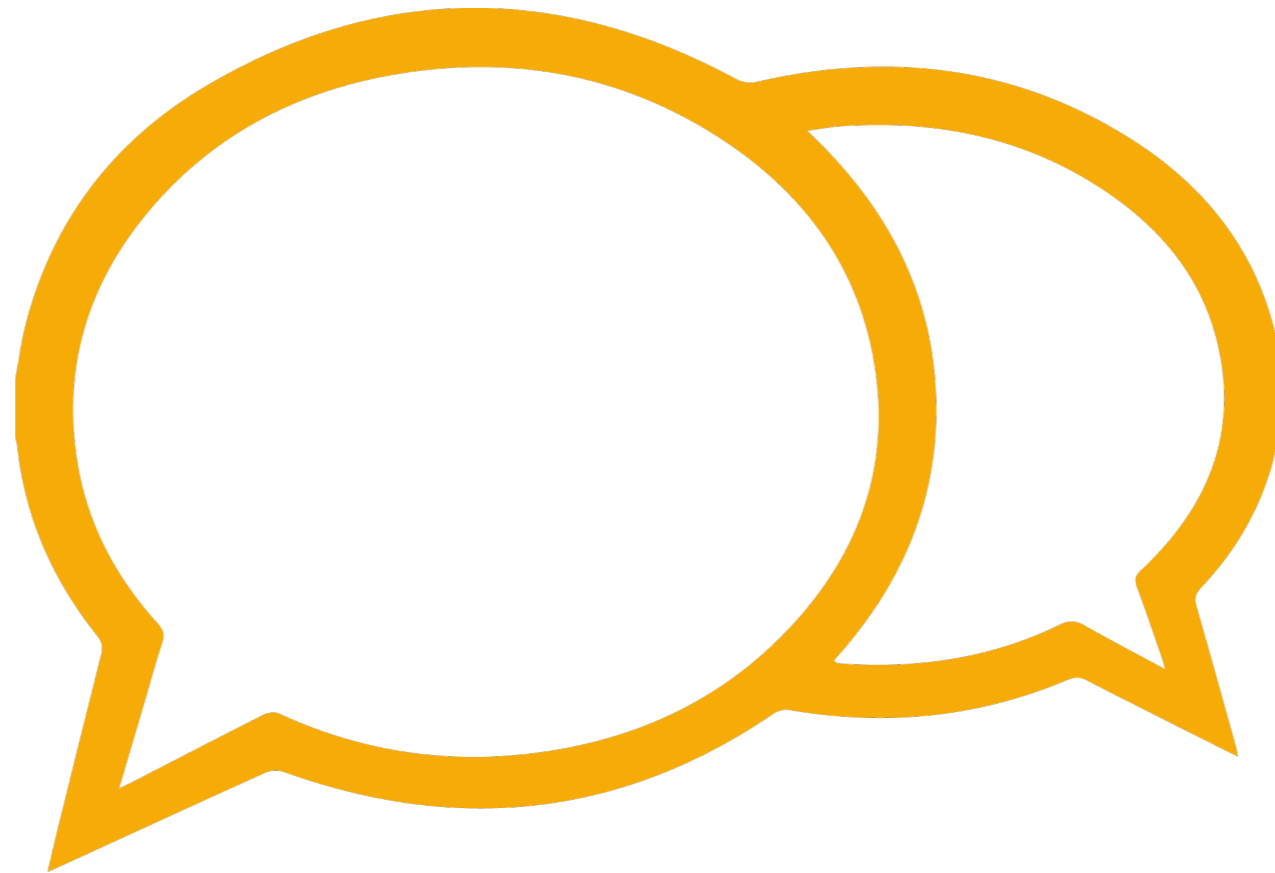
Board Chair Transitions

- Keep an eye on promising board members that might be well-suited for future leadership;
- Offer up potential candidates to the nominating or governance committee;
- Together with the current Board Chair, discuss the realities of the commitment.

Chief Executive Transitions

- Assist the board in understanding the Chief Executive position;
- Initiate or support the development of an emergency transition plan;
- Establish an evaluation process for the Chief Executive;
- Use board-self assessment to ensure the board is capable to address transitions

Questions?



Recap & Thank You for a Great Series!



Contact Us



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