



THE BOARD - CEO PARTNERSHIP CEO PERFORMANCE AND APPRAISAL

A two-part whitepaper from The Governance and Leadership Practice

Part A

Using a CEO Performance Planning and Appraisal System to Strengthen Board-CEO Relations

Part B

Designing and Administering a Superior CEO Performance Planning and Appraisal System

**Integrated Healthcare Strategies,
a division of Gallagher Benefit Services, Inc.**



Integrated Healthcare Strategies
ARTHUR J. GALLAGHER & CO.

Prepared By

James A. Rice, Ph.D.

Scott Hamilton

Kathy Hall

THE BOARD-CEO PARTNERSHIP

Great hospital performance is positively influenced by great governance. Great governance is possible only with great board-CEO relations.

The CEO performance planning and appraisal system is one of the central vehicles in which board-CEO relations can be clarified and enhanced.

At recent leadership conference of The Governance Institute, board members, physicians, and CEOs were invited to identify practical strategies that have the potential to nurture great board-CEO relations by focusing on enhancements within the process of CEO performance planning and appraisal. Their input is included in this two part white paper.

Part A explores trends in CEO performance development that are shaped by the organization's business strategy and argues for developing talent through the three concepts of trust, transparency and truthfulness.

Part B provides a short review of how to introduce an effective CEO performance planning and appraisal system in high performance health services organizations. The papers are intended to provide an easy read and a tool to stimulate conversations among the senior leaders of the board, executive team and medical staff.

PART A

USING A CEO PERFORMANCE PLANNING AND APPRAISAL SYSTEM TO STRENGTHEN BOARD-CEO RELATIONS

Setting The Context: CEO Planning and Appraisal to Strengthen Board-CEO Relations

In our challenging financial times of value based pay, and with the increased legislative healthcare activity affecting hospital performance, stress grows at the intersection of the board-CEO relationship. Hospital performance can only reach superior heights when the board and the CEO are working well together to create a culture that is performance-driven and values-based. The board and the CEO not only need to understand their respective roles in building this culture, they need to hold each other accountable for defining where the organization needs to go; how it will get there; and how board-CEO interaction will lead to improved executive and organizational performance.

The board and the CEO's shared vision for the organization and related Balanced Score Cards of performance metrics should guide the CEO's activities, giving a sense of purpose and accomplishment. As the CEO executes the plan, the board needs assurance that the CEO's leadership and direction remain compatible with the organization's vision and goals, because the performance of the CEO and that of the organization are largely inseparable.

One of the Most Important Roles for the Board

Your board has many responsibilities, but its primary function is to establish and maintain a framework for the effective, legal, and ethical operation of the organization. The board does this through a combination of policy directives and specifications: the mission statement, bylaws, policies, strategic and financial plans, short and long-term goals and objectives, and the selection and evaluation of the chief executive.

The CEO is responsible for implementing board policies, championing the mission and values of the organization, managing the organization in accordance with board policies, and working toward achievement of the organization's goals by being the board's partner in leadership. Planning and assessing how well the CEO accomplishes this responsibility is the focus of a well designed CEO performance planning and appraisal system.



An effective CEO performance planning and appraisal system will:

- Educate the board about the nature of the CEO's role, responsibilities, and duties.
- Clarify the board's expectations and goals of the CEO.
- Help the CEO identify and prioritize work that will lead to the successful achievement of the organization's mission and strategy.
- Provide constructive feedback to the CEO on his/her performance.

The CEO performance planning and appraisal process is not a responsibility that many board members look forward to, but it is fundamental to good governance. The chief executive may have anxieties about being evaluated, but high-performance executives usually want and value well-conducted performance evaluations.

An effective CEO planning and appraisal system benefits the CEO in several ways:

- Helps focus on and develop essential competencies and experience.
- Instills confidence in the CEO to take sensible risks to advance the organization's strategic agenda.
- Provides an opportunity for self-assessment.
- Provides honest feedback, direction, and reaffirmation.
- Eliminates surprise and avoids the well-known but destructive pattern of "good job, good job, and good job — gone!"¹

An effective performance system, therefore, ultimately nurtures both the growth and development of the chief executive and the organization. The CEO who experiences a well-planned and constructive appraisal is more likely to apply the same process to their direct reports. This alignment and discipline contributes to a high-performance culture throughout the organization.

How well does your Board understand and embrace these accountabilities and practices?

What questions does this framework raise for your Board?

¹ Ewell, Charles. "CEOs, remember who hired you." *Modern Healthcare*, Nov. 10, 1997.

Important Considerations for CEO Performance Evaluations²**CEO Performance
versus
Organizational
Performance**

While the performance of the CEO and the organization are obviously closely related, the CEO performance planning and evaluation process should focus on behaviors and areas where the CEO has the most direct control over organizational performance. It is important to recognize changes in the industry and economy so that CEOs are not unfairly punished for economic downturns, nor over-compensated when an exuberant market benefits all.

**Independent
Information
for the
Board**

Do not base performance evaluation solely on information provided by the CEO. Include the CEO's self-assessment, but balance it with other sources of information such as ratings from physicians and senior-level executives through satisfaction surveys, and even benchmark performance of other leaders in the industry. The multi-rater/360-degree feedback evaluation method is one way to do this.

**Commit to
the Process**

Ultimately, the success of the formal evaluation process requires the full commitment of both the board and the CEO. This means that the CEO should be open to feedback and willing to act on the results. Independent board members should be strongly involved to ensure credibility, and willing to enforce results.

² Adopted in part and with modifications from Korn/Ferry International: *Evaluating the Chief Executive Officer*, p. 14.

STRATEGY OF THE ENTERPRISE SHOULD GUIDE CEO TALENT MANAGEMENT

The CEO performance planning and appraisal system is a constructive way for the board and the CEO to make sure their goals and objectives are not only aligned, but are consistent with the organization's mission, vision, and values. A performance system gives both the board and the CEO an opportunity to measure progress and develop plans for further improvement.

The bedrock for the board-CEO relationship should be "Talent" (the collective competencies of the CEO and board), modern hospitals and system boards are recognizing the value of investing more intentionally into CEO talent management, and nurturing positive board-CEO relationships as a context within which talent management can flourish.

We find that the best board-CEO relations move beyond great talent to embrace great relationships that are built on three other "T's": ***trust, transparency, and truthfulness***. A breakdown in any of these three key areas leads to conflict, confusion, distraction, and inefficiency, with an end result of disappointing leadership and organizational performance.

Effective boards constantly examine their interactions with management and look for ways to become more open and transparent in making decisions, and more inclusive in the way they seek advice and input from their many stakeholders and constituencies.

THE CONTEXT FOR ENHANCED CEO PERFORMANCE PLANNING AND APPRAISAL SYSTEMS

Recent leadership conferences at The Governance Institute brought together board members, CEOs, and physician leaders to discuss ways to improve board-CEO relations as a means to move organizational performance to higher levels of excellence. Participants identified 20 practical strategies to foster the three T's of trust, transparency, and truthfulness.

BUILDING TRUST

1. Say what you mean, and mean what you say. Leaders must foster a culture of open communications, collegiality and personal rapport.
2. Structure activities and interactions outside of routine meetings, such as medical staff and board retreats, dinners, golf outings, etc.
3. Build educational programs around strategic threats and opportunities, and hold them off-site to encourage fresh thinking, as well as relaxed time together.
4. Rely on and trust the work of committees.
5. Encourage management to occasionally be vulnerable and open to new ideas.
6. Ask the CEO to spend time one-on-one with each board member at least once a year, to better understand each other's expectations and ability to contribute to the board.
7. Involve physicians in the board's efforts to be more open, transparent, and consistent.

ASSURING TRANSPARENCY

8. Develop an agenda for every meeting to assure that time is well-used. Maintain an 18 month calendar of meetings and topics for the year so board members and executives can come to meetings prepared.
9. Build flexible time into meetings to allow for in-depth discussion and questions.
10. Focus board discussions on strategic issues such as long-range planning, mergers and acquisitions, competitor moves, regulatory developments, new technologies, etc.
11. Avoid board cliques by having open and shared communications.
12. Use e-mail and phone calls to keep board members, executives and physician leaders informed about challenges and new developments.

ENCOURAGING TRUTHFULNESS

13. Lay ground rules for disagreeing respectfully and harmoniously.
14. Be candid in our individual discussions with other board members, and with the CEO.
15. Establish a board culture of "no surprises" that provides for mutual assessments of board and CEO performance expectations and accomplishments.
16. Remember that the primary purpose is to protect and enhance the hospital/health system a valuable community asset driven to enhance health and healthcare.
17. Keep the focus on mission, vision, and values; ground all that we do, and all that we talk about, in what's best for our patients and communities' health.
18. Avoid a win-lose mentality in dealing with each other and other key stakeholders (physicians, employees, community leaders), but encourage candor and occasional executive sessions where the board can meet only with the CEO, and occasionally without the CEO in the room.
19. Ask the CEO to follow up with courtesy notes to assure clarity around suggestions and agreements and to create a paper trail.
20. Practice mutual reviews of board and CEO performance that invites significant physician leader inputs.

***Great leadership teams have critical conversations about these issues and opportunities.
How might your organization embrace such conversations?***

AVOIDING COMMON CEO AND BOARD FRUSTRATIONS

Developing a superior CEO performance system also requires open communication that guards against some behaviors that get in the way of trust, transparency, and truthfulness. Our practice has identified 10 frustrations to avoid from both the board and the CEO's perspectives. Of the frustrations, ones pertaining to our current economic climate and increased scrutiny of executive compensation are of particular concern, including eliminating any surprises at board meetings; e.g., a large deal or capital project that is suddenly taken off the table, not seeking counsel on a problem until it has reached a crises stage, and getting mired in too much process before acting. Boards should pay particular attention to not waffle on support of difficult and controversial decisions made previously and coming well prepared for all board meetings. A complete list of all 20 frustrations can be found in Appendix A.

How many of these situations exist in your setting? How can your Board and CEO work together to remove, reduce, or work around these potential frustrations?

DO'S AND DON'TS OF A GOOD CEO PERFORMANCE PLANNING AND APPRAISAL SYSTEM

Along with possible frustrations to be aware of, there are some basic do's and don'ts of a good CEO performance planning and appraisal system. While the second part of the paper is designed to go into these in greater detail, it is worth mentioning a few of them here. A complete list is also provided in Appendix B. An important "do" in the performance plan and appraisal is making it an ongoing process, not just an annual process. This helps the board stay informed about executive management activities and outcomes that are often invisible, and it keeps the CEO's attention focused on those things the board considers important. It is also important to put the evaluation criteria in writing ahead of time. Without having done this, confusion and disagreements are inevitable at the time the evaluation is done. Lastly, the input on the CEO's performance should be obtained from a select group of stakeholders, not the general staff or public. The criteria for the evaluation is not understood by all and, further, issues not directly tied to the CEO's performance inevitably get pulled in.

Has your organization thought of the performance planning and appraisal in terms of Do's and Don'ts? This an important exercise in creating the parameters and objectives.

Part B of this paper observes that an effective CEO performance planning and appraisal system will:

- Educate the board about the nature of the CEO's role, responsibilities, and duties.
- Clarify the board's expectations and goals of the CEO.
- Help the CEO identify and prioritize work that will lead to the successful achievement of the organization's mission and strategy.
- Provide constructive feedback to the CEO on his/her performance.

High-performance executives usually want and value well-conducted performance appraisals because they benefit the CEO in several ways:

- Helps focus on and develop essential competencies and experience.
- Instills confidence in the CEO to take sensible risks to advance the organization's strategic agenda.
- Provides an opportunity for self-assessment.
- Provides honest feedback, direction, and reaffirmation.
- Eliminates surprise and avoids the well-known but destructive pattern of "good job, good job, good job — gone!"³

An effective performance planning and appraisal system ultimately nurtures the growth and development of both the CEO and the organization. Boards and CEOs will increasingly rely on experienced Chief Human Resource Officer (CHRO) to help design and administer these processes. An experienced CHRO, who has the confidence of the board and CEO, may effectively engage them better in the process as an objective facilitator. This is one way to assure that the CEO is appropriately engaged in the design, has the proper influence on its design, and also supports its administrative requirements. In addition, some boards ask the CHRO to help them administer the year-to-year process of survey distribution, analysis and communication.

³ Ewell, Charles. "CEOs, remember who hired you." *Modern Healthcare*, Nov. 10, 1997.

CEO PERFORMANCE EVALUATION: THE PROCESS

STRATEGY DRIVES CEO PRIORITIES AND PERFORMANCE

The CEO performance planning and appraisal system begins with a systematic review of the fundamentals: the organization's visions and mission, annual goals and objectives, and the CEO's position accountabilities (job description). If these components are not in place, are outdated, or in dispute between the board and CEO, the planning and appraisal system can be used as an opportunity to develop or revise them, and to assure enthusiastic consensus about them among the leadership. This will take time and effort, but the rewards outweigh the trouble.

The best forum for a systematic review of these fundamentals and the overall development of the system is often the board's executive committee, governance effectiveness committee, compensation committee, or another specifically composed committee with a charge of incorporating performance elements. If the review process results in modifications to the mission, goals and objectives, or job description, it is important to bring these to the full board for consensus.

The performance planning and appraisal system may be initiated by either the board or the CEO. Ideally, both will contribute to the design of the process. This helps the CEO understand what aspects of performance will be expected and evaluated by the board. It should also help define opportunities for future board investments in the CEO's development. Finally, it should reaffirm how performance matters will be supported by compensation design and pay decisions.

It is not necessary to develop the perfect system; it is more important to put one in place that is effective, reasonable, and workable. It can be improved with ongoing attention and experience.

Board members, CEOs, and physicians who participated in recent leadership conferences of The Governance Institute offered 13 suggestions to enhance the CEO performance planning and review process. Among the most commonly mentioned were making sure the process is more focused on the future than the past, and is designed to encourage the CEOs growth and development, rather than just reviewing what happened last year. Making sure the performance targets include more than just financial performance; qualitative measures are also important for a comprehensive appraisal, and making sure to establish and discuss performance targets before the year begins to be sure everyone is clear and supportive of them. A review of the list can be found in Appendix C.

***Consider your own board's CEO performance evaluation philosophy and process.
How would you like to enhance the way CEO performance reviews occur?***

PERFORMANCE CRITERIA: WHAT MATTERS MOST?

When the fundamentals are in place, the criteria for rating CEO performance may be developed. These criteria will describe the activities and behaviors essential for meeting board expectations. Performance criteria should be based on the factors that matter most to the board, such as -

- Leadership and vision
- Relations with the board
- Management skills and abilities
- Strategic planning
- Quality and patient safety
- Payer relations
- A realistic approach to problem solving
- Philanthropic fund development
- Community relations
- Medical staff relations
- Fiscal management
- Operations management
- Personal and professional style and persona

When finalizing criteria, it helps to build descriptive statements around them, and categorize the criteria as quantitative or qualitative measures. It is also useful to organize criteria around ongoing accountabilities versus operating objectives that are to be achieved during the fiscal year. Consider using these examples as a starting point to develop and refine criteria for your own organization. Using more than ten to twelve criteria is hard to manage, so as the board works through their list of criteria, keeping that in mind will aid in being more selective in the criteria that matters most to the organization.

Examples:

Overall organizational performance (quantitative measures):

- Financial performance against budget
- Current financial ratios, and year over year trends
- Operating indicators such as length of stay, average daily census, etc.
- Bond rating
- Physician satisfaction as measured by physician leader confidence ratings
- Employee satisfaction from survey scores
- Progress toward short and long-term organization goals set by the board

Leadership and managerial excellence (qualitative measures):

- Contributing to fulfillment of the vision, accomplishment of key goals, and effective pursuit of core strategies
- Exhibiting a leadership style that fits the organization's needs and values
- Setting a tone for the organization: demonstrating consistent values of ethical awareness, honesty, fairness, etc.
- Contributing to institutional success through guidance in planning, human resource management, quality, fiscal management, compliance with regulations, advocacy, promotion of the hospital; overall leadership ability
- Board-CEO relations and respect for the board's independence
- Compliance with board policy and employment contract specifying what the CEO must and must not do. For example,
 - Keeping the board informed of all important matters affecting strategies and operational performance, and adherence to a doctrine of "no surprises"
 - Behaving in a personal and professional manner that does not embarrass the hospital
 - Being involved in the community that constitutes the primary service area.
 - Refusing to engage in, or knowingly allow employees to engage in, any act that is unethical or illegal or in violation of board policy
 - Refusing to accept gifts or gratuities that have a value exceeding \$X from individuals or organizations doing business, or seeking to do business, with the organization.

Along with limiting the criteria it is a good idea to establish two or three key objectives for the performance appraisal. For example, the appraisal's primary purpose may be to support or change behavior, to take the pulse of the organization through the performance of its leader, to encourage the CEO's self-discovery and improvement, or to re-examine the correlation between the organization's progress and the performance of the CEO.

A NOTE ABOUT COMPENSATION

Annual performance reviews are typically tied to discussions about CEO compensation. But conducting an appraisal solely for the purpose of adjusting salary can turn the process into a narrowly-defined exercise, which defeats the overall purpose of the evaluation itself - that of encouraging growth and development of the CEO, aligned to the growth and development of the organization.

It is strongly encouraged not to make the CEO's salary adjustment an outcome of the appraisal process, because performance is only one aspect of compensation. Some components of the evaluation may be used appropriately in setting compensation, but other factors must be considered as well.

Best-in-class organizations establish a board-approved Executive Compensation Philosophy to guide CEO and other executive compensation decisions. High performance boards work with their CEO, along with the staff support of their CHRO, to establish this philosophy and use it to guide the design and process of linking performance management with performance pay, as well as, to assure CEO development of strategic leadership competencies. These executive compensation philosophy documents address such questions as determining peer group comparisons and competitive position-to-market, setting amount of pay at risk, outlining fixed versus variable components of reward and recognition, providing levels and standards for executive benefits and perquisites, and considering how to develop future executive capabilities. The philosophy also clarifies the decision-making role of the board versus management, and outlines the use of outside experts to provide ongoing support, guide decision-making, and assist the board in overseeing these processes.

Factors to Consider in Setting Compensation

- Market position of the organization
- Scope and complexity of organization
- Inflation
- Tenure
- Special qualifications of the incumbent
- Risk or volatility of the position
- Political or community considerations
- Organization design/structure
- Competitive salaries in market

CHOOSING AN APPRAISAL TOOL

After reaching agreement on performance criteria, the committee is ready to develop or select an **appraisal tool**. Boilerplate forms have been published by various associations, and specific methods have been endorsed by some corporate resource specialists. Sample forms may be found in Appendix E. Increasingly, web based tools are available to use for the appraisal process and can be a more efficient and effective option.

In choosing an appraisal tool, remember that the success of the process depends not so much on the specific appraisal tool used, but on how well the appraisal tool measures the strategic and operational leadership factors that are important to your organization. There is an old management adage: “A crude measure of the right thing beats a precise measure of the wrong thing.” Choose a form that comes close to meeting your needs, and then customize it.

A new approach adopted by some healthcare boards is the “multi-rater” or “360-degree feedback” evaluation. It incorporates structured feedback on topics such as leadership and job-specific behaviors from a wide variety of sources including board members, physician leaders, peers, and coworkers. Some experts consider this process more effective than traditional appraisals because of these primary advantages:

- It enables the board to form an in-depth impression of the impact of the CEO’s day-to-day behavior.
- Feedback from many sources can provide more comprehensive, complete, dynamic and conclusive insights than single-source feedback.
- It typically generates more engaging and dynamic discussion than traditional approaches.

If the multi-rater appraisal process seems right for your organization, then make sure it is implemented in a formal, fair, and structured manner. Soliciting feedback from the public, physicians, or employees on the CEO’s performance without a structured context may result in a list of complaints, petty or legitimate, philosophical differences with the board’s goals, and perceptions of the CEO’s “agenda” rather than useful feedback on performance. It may also force the CEO to justify behaviors when no justification is necessary or appropriate.

DISTRIBUTING THE APPRAISAL QUESTIONNAIRE

Once an appraisal tool has been selected and customized for your organization, it should be distributed to all board members and the CEO. If a web based appraisal tool is chosen, a formal e-mail invitation should be sent to the appropriate individuals. Otherwise, a hard copy may be sent through the mail or handed out at a board meeting. Allow sufficient time to complete the evaluation — two weeks is customary.

Include a cover letter that briefly describes why the appraisal is important, emphasizes the need for thoughtful consideration of responses, and notes that detailed instructions have been provided. The cover letter should also assure board members that responses will be reported anonymously. Finally, it should commit to sharing complete results with the board in a summary report, and it should tell them when to expect the report.

The e-mail invite or mailed packet should also include a copy of the CEO's job description, a list of the organization's annual goals and objectives, and a written performance plan agreed upon by the board and the CEO prior to the beginning of the evaluation period. Because this is a lot of information, the task of reviewing the packet and filling out the appraisal may seem overwhelming to some board members. It helps to prepare them by keeping the board up-to-date on the evaluation process as it evolves in committee, and frequently reminding them of the importance of this obligation.

It is important to have the CEO complete the appraisal, even though the CEO's responses will not be included in the summary report. The committee will want to compare the CEO's self-perceptions with those of the board. Variances will point to areas for discussion with the CEO; large discrepancies may indicate communication problems or misunderstandings about the CEO's responsibilities and board expectations.

A "Baker's Dozen" Critical Steps for an Effective Performance Appraisal Process is provided in Appendix D. It provides a digestible overview of the process, beginning with the first step of having an up-to-date job description for the CEO, to the next step of addressing the task of choosing criteria and measures, and the final step of with putting in place quarterly CEO progress reports to the board.

SHARING THE RESULTS

Once the appraisals have been returned and the results compiled, the Board Chair and identified committee meets with the CEO to review the results, discuss the strengths and limitations identified by board members and the CEO, and develop action plans for the coming year. This meeting gives the committee the opportunity to do some development counseling. The committee should meet to review and discuss the 2-3 key messages that are to be the most salient for the CEO's advancement and development.

Up to this point, board members have taken a detailed look at the CEO's performance by weighing it against specific performance criteria. These criteria probably seemed abstract going into the appraisal, but the process forces board members to think about the importance of each criteria being measured, helping to bring focus to the key attributes of leadership desired by the board. The outcome of the process is typically a list of leadership qualities the board wants the CEO to develop, or a list of things the board wants the CEO to do, giving shape to the discussion of the implications of the CEO's strengths and limitations for the future of the organization.

Discussing Performance with the CEO

- Share the survey results with the CEO.
- Acknowledge and affirm positive attributes and achievements.
- Be specific about areas where you expect improvement.
- Work with your CEO to develop an action plan for the coming year.
- Give your CEO the opportunity to prepare and present a response to the evaluation.

The CEO may need time to ponder the feedback from the meeting, and may want to prepare a written response. This is fair and ultimately contributes to the appraisal process. It is important to give your chief executive both the opportunity and the time to respond to your findings. A week is the outer boundary for which to expect the CEO to review the results and bring their conclusions back to the board chair.

Only when the committee has completed its discussions with the CEO and provided an opportunity for a response is it ready to meet with the full board. The board meeting should include a summary of the findings, and a summary of the subsequent meeting(s) and action plan. Of course, this information must be treated confidentially and is often accomplished in executive session of the board.

CONCLUSION

This two part paper seeks to encourage CEOs and board leaders to have critical conversations about how they can move the CEO's performance planning and appraisal from good to great. Only through enhanced CEO and executive performance discipline will our nation's health systems advance toward high performance goals for quality, safety, market share growth and financial vitality. In our turbulent economy and with the increased demand for greater transparency in executive pay, as evidenced in the revised Form 990, organizations would be well served to take the time and perform a comprehensive CEO Performance Planning and Appraisal. This provides the back-up to defend the position the organization has taken in paying their CEO. Questions and comments on these papers may be directed to our offices in Minneapolis.

APPENDIX A

Avoiding Common CEO and Board Frustrations

TOP 10 BOARD FRUSTRATIONS TO AVOID BY CEO

1. Surprises at board meetings; e.g., a large deal or capital project that is suddenly put on the table.
2. CEOs who give speeches at board meetings that leave little time for quality discussion of future-oriented issues.
3. CEOs who overwhelm us with management detail; too little information and not presented in an easy-to-read format.
4. CEOs who treat us like figureheads, and not as valuable and respected colleagues from whom to invite counsel about strategic directions or community relations.
5. CEOs who don't seek our counsel until a problem has reached crisis stage.
6. CEOs who are at odds with the physicians too much of the time.
7. Management that gets mired in too much process before acting.
8. Lack of clear performance criteria and difficulty measuring CEO performance.
9. Weak orientation; lack of ongoing education about the complexities of balancing money flows, achieving world class quality in the health sector.
10. Lack of clear expectations of me as a board member, and no assessment of how well I am doing.

TOP 10 FRUSTRATIONS OF CEOS TO AVOID BY BOARD

1. Board members who don't show up, show up late, or are unprepared.
2. Waffling on support of difficult and controversial decisions made previously.
3. Trustees who believe that healthcare is "just like any other business" and should be managed to achieve financial results without regard for vision and mission.
4. Board members who have direct or indirect conflicts of interest; boards that expect the CEO to enforce board policies.
5. Board members who allow senior administrators to communicate directly with them on substantive issues without the CEO's knowledge.
6. Board members who allow physicians to use social or family relationships to lobby for specific decisions or actions.
7. Failure of the board to select new members who bring needed experience to the board, or whose talents compliment (rather than duplicate) those of existing members; failure to select new members who are able to be objective.
8. Board members who are unwilling to devote the time needed to learn about health care as a business, or fail to keep up with changes in health care, financing, and governance.
9. Pressures to work with local vendors that are not competitive on price or service capabilities.
10. Board chair who does not establish priorities, set agendas for meetings, or require committees to complete priority work.

APPENDIX B

Do's and Don'ts of a Good CEO Performance Planning and Appraisal System

THINGS NOT TO DO

1. **Don't make the CEO evaluation a popularity contest.**
2. **Don't use a standard appraisal tool from a book, workshop, or magazine.** Always customize the form to fit your organization's situation.
3. **Don't base the evaluation on anything other than performance to mission, goals, organization and talent development.** Share the evaluation criteria with the CEO ahead of time so the CEO can be striving to meet the board's expectations.
4. **Don't avoid stating critical expectations just because they are difficult to measure.**
5. **Don't commission a group of citizens to evaluate your CEO for you.** Any employee deserves to be evaluated by his or her boss, the person or body that generated the criteria to begin with.
6. **Don't neglect to put the evaluation criteria in writing ahead of time.**
7. **Don't conduct the evaluation just to determine next year's salary.** Performance is only one aspect of salary determination. The CEO performance evaluation should be focused on professional growth and helping to accomplishing the organization's mission and strategic priorities.
8. **Don't ask staff or the public what they think of the CEO's performance.** The CEO works for the board, and performance evaluation should be based on specific criteria that mean something to the board and the CEO. Others may not have the same interpretation. If you want to collect input from physicians or senior-level executives, adopt a multi-rater method and discipline to collect input in a fair and structured manner.

THINGS TO DO

1. **Make performance evaluation an ongoing process, not just an annual process.** Each quarter, ask the CEO to give an oral briefing on how he or she is progressing toward accomplishing the goals and meeting the expectations specified in the formal performance plan and the evaluation process. This helps the board stay informed about executive management activities and outcomes that are often invisible, and it keeps the CEO's attention focused on those things the board considers important.
2. **Focus on things the CEO can actually do something about.** Emphasize outcomes and means over which the CEO has a high degree of direct control and influence.
3. **Involve the CEO in the process.** This includes involving the CEO in everything from establishing criteria, to creating a culture of performance review, to competing a self-assessment. Involving the CEO ensures that they are aware of and understands the evaluation objectives and elements.
4. **Make sure the performance criteria are agreed upon by the board and the CEO.** Take the criteria outside the committee and get full board agreement.
5. **Pay attention to the CEO's leadership and management style in addition to substance.** Much of what a CEO accomplishes (or does not accomplish) relates to his or her personal leadership and management style. Be sure to include these elements in the evaluation.
6. **Focus on things that make a difference to the organization.** These should be activities that fulfill the organization's mission and help accomplish its goals.

Carver, John. *Board assessment of the CEO*. Carver Guide. San Francisco, 1997; p. 20

APPENDIX C

How to Enhance CEO Performance Reviews

1. Make sure the process is more focused on the future than the past, and is designed to encourage the CEO's growth and development, rather than just reviewing what happened last year.
2. Make sure performance targets include more than just financial performance. Consider also including indicators of –
 - Quality and patient safety
 - Physician morale
 - Employee morale
 - Service excellence
 - Patient satisfaction
 - Community image
 - Market share by key service line
 - Performance-driven culture
 - Personal growth and development
 - Development of the management team
 - Effective succession planning
3. Be creative about including community health improvement or relations with community health groups as stretch goals.
4. Use benchmarks to compare performance to leading hospitals or systems around the country.
5. Ask the CEO to do a self-assessment, and to outline areas where improvement is needed.
6. Poll the physicians to get a sense of physician-CEO relations.
7. Make sure the culture of the entire organization is performance-driven and values-based, and that the CEO is the primary champion for this culture.
8. Establish and discuss performance targets before the year begins, to be sure everyone is clear and supportive of them.
9. Do a mid-year progress review to avoid surprises at year-end. Provide coaching or mentoring as needed to stay on course.
10. If reality or expectations change mid-year, be ready to re-define the performance targets.
11. Involve the full board in the evaluation process, even if only the board chair meets with the CEO.
12. Consider occasionally bringing in an outside consultant or performance expert to do a 360-degree review.
13. Pair the CEO performance review with a board performance review.

When board-CEO relations are built on fairness and stretch objectives, trust is more likely to flourish, continuous governance enhancement is more likely to occur, and the organization's results are more likely to strengthen.

APPENDIX D

“Baker’s Dozen” Critical Steps for an Effective Performance Evaluation Process

-
1. Have a written job description for the CEO, and make sure it is up-to-date.
 2. Have written organizational expectations.
 3. Have the process guided by a special committee of the board (e.g., executive or governance committee), but approved by the full board.
 4. Give the committee and the CEO the responsibility of developing the criteria for CEO evaluation.
 5. Identify explicit performance criteria that matter most to the organization and the board, and evaluate the CEO on only those criteria.
 6. Make sure the board’s expectations of the CEO are realistic.
 7. Make sure the CEO agrees that what he or she will be judged on is clear and unambiguous.
 8. Identify specific measures that will factor into compensation increases and bonuses (to be used later as part of compensation determinations).
 9. Decide on the design and content of the questionnaire.
 10. Distribute, collect, tabulate, and analyze the results, and compare results with the CEO’s responses or “self-assessment.”
 11. Present findings in committee to the CEO, get feedback, and determine the CEO’s performance plan for the coming year.
 12. Share with the full board the summary of findings and results of the meeting with the CEO.
 13. Expect quarterly progress reports.
-

Adapted from The Governance Institute’s white paper #34, CEO Performance Evaluation

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board of Directors Version

Please rank the CEO's performance using the scale of 1 to 5:
Use space provided to explain evaluation or cite examples; attach additional pages if needed.

PERFORMANCE FACTOR: Meeting Goals / Achieving Results						
STRATEGIC PLANNING & EXECUTION Develops strategies and plans that set clear goals, timetables, and priorities for the organization as a whole. Ensures timely and steady progress toward strategic objectives. Obtains and allocates resources consistent with strategic priorities.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
FINANCIAL MANAGEMENT Establishes appropriate financial goals. Manages to achieve these goals. Allocates resources in accord with these goals. Ensures that appropriate systems are maintained to protect assets and exercise effective control of operations.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
OPERATIONAL RESULTS Establishes and meets operational goals. Identifies opportunities for improving performance and implements plans for doing so. Establishes and maintains systems for monitoring performance.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board of Directors Version (Cont'd)

PERFORMANCE FACTOR: Building/Maintaining Effective Working Relationships						
<p>BOARD RELATIONS</p> <p>Provides Board the information it needs to monitor performance and make good decisions. Keeps Board fully informed of important developments, issues and challenges. Clearly and promptly identifies issues needing Board attention. Frames issues to facilitate decision-making. Proposes and evaluates alternatives. Implements Board policies and directives. Builds effective working relationships with all members of the Board.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						
<p>COMMUNICATIONS</p> <p>Communicates effectively with all internal and external stakeholders. Communicates organization's vision, values and goals persuasively and succeeds in building widespread support for them. Explains the reasons for difficult or unpopular decisions to minimize unfavorable reaction. Builds and maintains a favorable public image for the organization.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board of Directors Version (Cont'd)

PERFORMANCE FACTOR: Building/Maintaining Effective Working Relationships						
<p>EXTERNAL RELATIONS</p> <p>Represents the organization effectively in community and governmental affairs. Encourages subordinates' involvement in community affairs. Ensures that the organization and its operating units contribute appropriately to the well-being of the communities they serve.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						
<p>PHYSICIAN RELATIONS</p> <p>Encourages open communications with physician leaders. Attends to legitimate concerns of physicians and physician leaders. Builds effective working relationships with physician leaders. Creates opportunities for physician participation in decision-making. Seeks out the right physicians for leadership positions and gives them opportunities to develop their administrative and leadership talents.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board of Directors Version (Cont'd)

PERFORMANCE FACTOR: Leadership						
<p>VISION</p> <p>Articulates a clear vision for the organization that defines its role in meeting the needs of the communities it serves. Communicates this vision persuasively to stakeholders to build their understanding and support for it.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						
<p>LEADERSHIP</p> <p>Leads the organization through complex challenges and difficult decisions. Finds and shows the organization the best way to deal with difficult problems. Demonstrates importance of the organization's vision and values in making difficult decisions. Builds understanding of and support for the organization's decisions. Leads by example. Celebrates accomplishments.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						
<p>DECISION-MAKING</p> <p>Develops structures that streamline decision-making. Fosters a climate that ensures effective decision-making at all levels of the organization. Encourages appropriate participation in decision-making. Encourages delegation of decisions to the lowest appropriate level.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board of Directors Version (Cont'd)

PERFORMANCE FACTOR: Leadership						
<p>CONTINUOUS IMPROVEMENT</p> <p>Promotes continuous improvement in operations, systems and clinical care. Fosters a climate that embraces change and celebrates improvements. Expects subordinates to demonstrate commitment to improving systems and processes. Shapes planning and goal-setting in ways that set clear expectation for continuous improvement.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						
<p>HUMAN RESOURCE MANAGEMENT</p> <p>Attracts and retains the right people for leadership positions and develops their talents. Plans and provides for orderly management succession. Establishes and maintains a good work environment. Promotes learning and development. Fosters a strong performance orientation.</p>	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:						

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board of Directors Version (Cont'd)

OVERALL PERFORMANCE RATING					
Please provide your overall rating of the CEO's performance.					
Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
Comments:					

Please identify **examples of performance** that you believe are particularly noteworthy. Explain how the examples illustrate your evaluation above.

Please identify any **achievements** you believe should be recognized.

Please note any areas in which the CEO's **abilities or performance should be improved**.

Signature (Optional)

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer

Please complete the evaluation by reading the statement and circling your response (**O**utstanding, **E**xcellent, **P**roficient, **D**evelopmental, and **U**nacceptable). Please include any comments you feel would clarify your response.

Definitions:

- | | |
|----------------------|--|
| Outstanding | Results indicate performance as clearly superior as to be obvious to all from the individual's remarkable contribution in his/her field and/or other extraordinary accomplishments. |
| Exceptional | Results indicate performance noticeably exceeding the expected performance standards of the position. |
| Proficient | This is the term applied to the achievement of performance expectations established for the position. Performance indicates that the employee is consistently performing with expertise and is meeting most of the documented performance standards. |
| Developmental | Results indicate that the employee has not been on the job long enough to have encountered all of its aspects. Performance on those activities handled to date meets most performance standards. Continued improvement is needed. |
| Unacceptable | Results indicate a performance that is clearly below the expected standards of the position. Performance is not adequate to meet the requirements of the position as documented in the position description. Performance must improve within a specified time frame. |

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer (Cont'd)

AREA WIDE HEALTH STATUS LEVEL

The CEO is knowledgeable about healthcare needs and trends in the hospital's community.	O	E	P	D	U
Comments:					
The CEO attempts to address community healthcare needs and incorporate them into the hospital's strategic plan.	O	E	P	D	U
Comments:					
The CEO articulates a concern for the community throughout the hospital, provides community service, assists in social projects, and advances public dialogue on policy issues affecting the community.	O	E	P	D	U
Comments:					

INSTITUTIONAL SUCCESS

The CEO plays a major role in the long-range or strategic planning process.	O	E	P	D	U
Comments:					
The CEO ensures that there are clear, easily understood plans in effect that are regularly updated to meet changing conditions.	O	E	P	D	U
Comments:					
The CEO informs the Board about and interests them in current trends, issues, problems, and activities in healthcare.	O	E	P	D	U
Comments:					
The CEO ensures that the hospital recruits adequate numbers of staff to carry out programs and services.	O	E	P	D	U
Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer (Cont'd)

The CEO ensures that human resources are being properly allocated to carry out the mission and goals/objectives of the hospital.	O	E	P	D	U
Comments:					
The CEO ensures that the rate of employee turnover, absenteeism, or work stoppages is at an acceptable level.	O	E	P	D	U
Comments:					
The results of the employee opinion survey are generally positive.	O	E	P	D	U
Comments:					
The CEO ensures that low employee performance does not contribute to excessive costs.	O	E	P	D	U
Comments:					
The CEO promotes high morale.	O	E	P	D	U
Comments:					
The CEO establishes satisfactory methods for evaluating patient care activities.	O	E	P	D	U
Comments:					
The CEO acquires feedback (physician, nursing, employee, management, Board) for evaluating the hospital's performance in patient care delivery.	O	E	P	D	U
Comments:					
The CEO ensures institutional operating stability by creating a quality working environment that is satisfactory to employees and physicians.	O	E	P	D	U
Comments:					
There is a well-functioning quality improvement program with strong links to the Board.	O	E	P	D	U
Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer (Cont'd)

The CEO keeps the Board notified of any hospital-related malpractice claims.	O	E	P	D	U
Comments:					
The CEO ensures that the hospital meets the requirements of licensing and accreditation agencies.	O	E	P	D	U
Comments:					
The CEO ensures that cited deficiencies are addressed in a timely and comprehensive way.	O	E	P	D	U
Comments:					
The CEO reviews with the Board all significant risk management issues and their outcomes.	O	E	P	D	U
Comments:					
The CEO ensures that there are effective, understandable operating and capital budgeting processes in plan.	O	E	P	D	U
Comments:					
The CEO informs the Board on a regular basis about significant financial matters.	O	E	P	D	U
Comments:					
The CEO ensures that there are sufficient financial controls.	O	E	P	D	U
Comments:					
The CEO ensures that the hospital's financial condition is routinely audited by an external firm and that the results are reported to the Board.	O	E	P	D	U
Comments:					
Annual financial goals of the hospital are regularly reached. However, if the goals are not reached, then the results are reported to the Board in a timely manner.	O	E	P	D	U
Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer (Cont'd)

The CEO communicates with the Board, employees, physicians, volunteers, and community groups about the expected impact of pending legislation or regulations on the hospital.	O	E	P	D	U
Comments:					
The CEO provides needed data and other supporting evidence to spokespersons and other hospital advocates.	O	E	P	D	U
Comments:					
The CEO takes on a leadership role in local, state, or national forums in representing hospitals and the healthcare needs of the community.	O	E	P	D	U
Comments:					
The CEO is well-positioned and professionally involved in community healthcare and related activities.	O	E	P	D	U
Comments:					
The CEO is visible in the community and a good public relations emissary for the hospital.	O	E	P	D	U
Comments:					
The CEO listens and responds appropriately to physicians, employees, and volunteers to improve services and generate community involvement in the hospital.	O	E	P	D	U
Comments:					
The CEO initiates, develops, and maintains cooperative relationships with the business community and with other hospitals.	O	E	P	D	U
Comments:					
The CEO participates in fund-raising efforts.	O	E	P	D	U
Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer (Cont'd)

The CEO has a clear vision of the future of the hospital and its contribution to community well-being.	O	E	P	D	U
Comments:					
The CEO communicates the vision effectively and motivates others in the community and the hospital to effect this vision.	O	E	P	D	U
Comments:					
The CEO prioritizes activities so as to avert crises.	O	E	P	D	U
Comments:					
When crises occur, the CEO acts decisively, in a timely way, to mitigate adverse consequences.	O	E	P	D	U
Comments:					
The CEO exercises judgment in pursuing the strategic objectives of the hospital by insisting on conforming to ethical guidelines and accepted business mores.	O	E	P	D	U
Comments:					
The CEO demonstrates effective physician relations efforts by establishing affiliations with physicians and maintaining loyal support of the Medical Staff on a continuing basis.	O	E	P	D	U
Comments:					
The CEO always considers the impact of administrative policy and procedural decisions to the Medical Staff and the overall functioning of the hospital with regard to optimal patient care.	O	E	P	D	U
Comments:					
The CEO is willing to share leadership experiences with others.	O	E	P	D	U
Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Performance Evaluation Tool President & Chief Executive Officer (Cont'd)

Additional Comments:

Achievements for [year]:

Goals to be Met for [year]:

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Board Survey of CEO Performance

One of the most important functions performed by the Board is the annual performance review of the Chief Executive Officer. An essential element is to obtain the input and perspectives of all members of the Board with respect to both Business Results (“what” was accomplished) as well as those CEO competencies that are highly correlated to achieving business results and are benchmarks of Executive Effectiveness.

As you orient yourself to this form, you will see that it is subdivided into three Sections:

- Section I: Business Results
- Section II: Executive Effectiveness – A) Relationship Management; B) Leadership Competencies
- Section III: Overall CEO Evaluation

In order to make an evaluation, you will want to review the CEO Annual Report prior to completing the form. In addition, you will need to rely on your own thoughts and observations as you have participated in governance throughout the year as well as personal experiences with the CEO.

SECTION I: BUSINESS RESULTS

PERFORMANCE CRITERIA Planning				
Achievement of entity strategic plan objectives identified at the beginning of the year.				
<ul style="list-style-type: none"> • Key Indicators <ul style="list-style-type: none"> – Plan updated for year – Board was actively involved in plan development – Plan milestones were met 				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Making Progress Continue to Focus	<input type="checkbox"/> Strong Performance	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional <i>Far exceeds all targets and leads ABC Health & Industry</i>
Comments:				

PERFORMANCE CRITERIA Financial Management				
Achievement of key financial targets & budgets (operating income, EBITDA, Days in A/R, 5-Yr Financial Forecast) and no surprises on year-end audit.				
<ul style="list-style-type: none"> • Key Indicators <ul style="list-style-type: none"> – Operating income at or above budget – EBITDA at or above target – Net Days in A/R below 65 – Meeting 5-Yr Financial Targets 				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Making Progress Continue to Focus	<input type="checkbox"/> Strong Performance	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional <i>Far exceeds all targets and leads ABC Health & Industry</i>
Comments:				

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Board Survey of CEO Performance (Cont'd)

SECTION I: BUSINESS RESULTS (Cont'd)

PERFORMANCE CRITERIA Operations Management				
Effective management and organization processes are in place (e.g., HBSI), "bench strength" of management team, and positive work-culture for employees (e.g. EOW scores).				
<ul style="list-style-type: none"> Key Indicators <ul style="list-style-type: none"> HBSI performance Succession plan for key, sr. mgmt positions Experience of Work (employee satisfaction) score 				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Making Progress Continue to Focus	<input type="checkbox"/> Strong Performance	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional <i>Far exceeds all targets and leads ABC Health & Industry</i>
Comments:				

PERFORMANCE CRITERIA Clinical & Service Quality				
Demonstrates continuous improvement & excellence in both clinical quality and service quality.				
<ul style="list-style-type: none"> Key Indicators <ul style="list-style-type: none"> Clinical Initiatives Patient satisfaction scores JCAHO 				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Making Progress Continue to Focus	<input type="checkbox"/> Strong Performance	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional <i>Far exceeds all targets and leads ABC Health & Industry</i>
Comments:				

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Board Survey of CEO Performance (Cont'd)

II: EXECUTIVE EFFECTIVENESS

A) Relationship Management

PERFORMANCE CRITERIA Board Relationship				
Maintains positive relationships with Board members. Provides support and executive leadership to the governance process. Ensures Board is well informed and is effectively engaged in major policy or strategy decisions, including those that involve taking informed risk to achieve organization outcomes.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

PERFORMANCE CRITERIA Physician Relations				
Maintains effective working relationships with organized medical staff and physician constituencies such as medical groups and house physicians. Organized medical staff processes are effectively supported.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

PERFORMANCE CRITERIA Community Relationships				
Has established (through a combination of personal and management team engagement) strong, organization supportive relationships with influential community members, organizations & constituencies. Demonstrates ability to effectively mobilize community support for organization strategies, initiatives, actions and positions.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Board Survey of CEO Performance (Cont'd)

II: EXECUTIVE EFFECTIVENESS

B) Leadership Competencies

PERFORMANCE CRITERIA Vision, Values & Strategy				
Develops organization vision that is clearly stated. Ensures vision and values are continuously communicated and well understood. Develops and communicates clear organization strategy and has systems in place to monitor and report progress against key performance indicators and milestones. Identifies, communicates and directs effective corrective action when goals or milestones are not being met.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

PERFORMANCE CRITERIA Interpersonal Skills & Consensus Building				
Communicates effectively. Demonstrates ability to influence individuals and groups to build consensus and secure buy-in and support for initiatives and strategies. Identifies individual and group needs and adeptly adapts influence approach accordingly to maximize influence effectiveness. Develops networks and expertly manages conflict among individuals and groups to achieve consensus and common direction.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

PERFORMANCE CRITERIA Self-Management				
Stays focused in achieving goals and objectives, effectively balancing emerging issues. Displays self-control, self-confidence, initiative, optimism and ability to effectively adapt to changing circumstances.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Board Survey of CEO Performance (Cont'd)

II: EXECUTIVE EFFECTIVENESS (CONT'D)

B) Leadership Competencies

PERFORMANCE CRITERIA Leading Within ABC Health				
Actively participates (and ensures staff participation) in area and system-wide strategy and initiative development to maximize support for entity priorities and address issues. Sets tone for own entity's leadership culture by ensuring self and staff contribute to area and system decision making bodies and processes and support outcome(s).				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

PERFORMANCE CRITERIA Staffing				
Continuously assesses current and future staffing needs. Develops and implements plan to identify & develop potential senior leadership successors, fill gaps and develop current senior leadership staff. Ensures similar systems are in place to forecast workforce needs and gaps and create management bench-strength at all levels of the organization.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

PERFORMANCE CRITERIA Organization Efficiency & Productivity				
– Has effective processes in place to continuously scan organization for opportunities to improve efficiency and productivity. Identifies and implements new, or cutting edge programs, processes and/or approaches that improve organization efficiency, outcomes and performance. Has established a culture that engages management and employees in problem solving and accountability for productivity improvement.				
Evaluation Check One				
<input type="checkbox"/> Area of Concern or Don't Know	<input type="checkbox"/> Good Continue to Hone	<input type="checkbox"/> Strong and Effective	<input type="checkbox"/> Area of Particular Strength	<input type="checkbox"/> Exceptional Effectiveness Standard Bearer
Comments:				

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: Board Survey of CEO Performance (Cont'd)

III: OVERALL CEO EVALUATION

When taking into consideration both Business Results and my CEO's Executive Effectiveness in building relationships and leadership, my overall evaluation is:

OVERALL EVALUATION Check One				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improvement Required	Growth Needed in Some Areas	Strong Performance	Exceeds Expectations	Role Model
<i>Does not meet expectations, significant / sustained improvement required immediately.</i>	<i>Meets expectations in most areas. Development needed in some areas.</i>	<i>Consistently meets majority of expectations. May exceed expectations in focused areas</i>	<i>Consistently meets priority expectations and exceeds expectations in many areas. May be a role model in several areas</i>	<i>Far exceeds all expectations. Serves as a role model in all aspects of job performance, achieving highest levels of performance in both business results and executive effectiveness</i>
OVERALL COMMENTS (including any overall development recommendations or insights):				

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board Of Directors Version

We value our CEO and are committed to enhance his/her personal and professional development. To support our CEO, we conduct an annual assessment.

Please rank the CEO's performance using a scale of 1 to 5:

- 1 Poor/Unacceptable
- 2 Satisfactory
- 3 Meets Expectations
- 4 Commendable
- 5 Outstanding
- N/A Don't Know

Use space provided to explain evaluation or cite examples; attach additional pages if needed.

Meeting Goals / Achieving Results						
Provides Strategic Direction Develops strategies and plans that set clear goals, timetables, and priorities for the organization as a whole. Ensures timely and steady progress toward strategic objectives. Obtains and allocates resources consistent with strategic priorities.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
Provides Strategic Direction Establishes appropriate financial goals. Manages to achieve these goals. Allocates resources in accord with these goals. Ensures that appropriate systems are maintained to protect assets and exercise effective control of operations.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
Quality & Patient Focus Focuses intensely on quality of care and patient satisfaction issues. Provides solutions that are consistently patient- and quality-centered. Adapts corporate culture and systems to improve clinical quality outcomes.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
Operational Results & Action Orientation Establishes and meets operational goals. Identifies opportunities for improving performance and aggressively implements plans for doing so. Establishes and maintains systems and culture for monitoring and rewarding challenging performance targets.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board Of Directors Version (Cont'd)

Building / Maintaining Effective Working Relationships						
Enhances Board Relations Provides Board the information it needs to monitor performance and make good decisions. Keeps Board fully informed of important developments, issues and challenges. Clearly and promptly identifies issues needing Board attention. Frames issues to facilitate decision-making. Proposes and evaluates alternatives. Implements Board policies and directives. Builds effective partnership relations with all members of the Board.	Poor / Unacceptable	Satisfactory	Meets Expectations	Commendable	Outstanding	Don't Know / No Answer
	1	2	3	4	5	N/A
	Comments:					
Provides Effective Communications Communicates effectively with all internal and external stakeholders. Communicates organization's vision, values and goals persuasively and succeeds in building widespread support for them. Explains the reasons for difficult or unpopular decisions to minimize unfavorable reaction. Builds and maintains a favorable public image for the organization.	Poor / Unacceptable	Satisfactory	Meets Expectations	Commendable	Outstanding	Don't Know / No Answer
	1	2	3	4	5	N/A
	Comments:					
Nurtures External Relations Represents the organization effectively in community and governmental affairs. Encourages subordinates' involvement in community affairs. Ensures that the organization and its operating units contribute appropriately to the well-being of the communities they serve.	Poor / Unacceptable	Satisfactory	Meets Expectations	Commendable	Outstanding	Don't Know / No Answer
	1	2	3	4	5	N/A
	Comments:					
Enhances Physician Relations Encourages open communications with physician leaders. Attends to legitimate concerns of physicians and physician leaders. Builds effective working relationships with physician leaders. Creates opportunities for physician participation in decision-making. Seeks out the right physicians for leadership positions and gives them opportunities to develop their administrative and leadership talents.	Poor / Unacceptable	Satisfactory	Meets Expectations	Commendable	Outstanding	Don't Know / No Answer
	1	2	3	4	5	N/A
	Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board Of Directors Version (Cont'd)

Leadership						
Establishes Vision Articulates a clear vision for the organization that defines its role in meeting the needs of the communities it serves. Communicates this vision persuasively to stakeholders to build their understanding and support for it.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
Provides Leadership Leads the organization through complex challenges and difficult decisions. Finds and shows the organization the best way to deal with difficult problems. Demonstrates importance of the organization's vision and values in making difficult decisions. Builds understanding of and support for the organization's decisions. Leads by example. Celebrates accomplishments.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know / No Answer N/A
	Comments:					
Encourages Decision-making Develops structures that streamline decision-making. Fosters a climate that ensures effective decision-making at all levels of the organization. Encourages appropriate participation in decision-making. Encourages delegation of decisions to the lowest appropriate level.	Poor/ Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know/ No Answer N/A
	Comments:					
Champions Continuous Improvement & Change Management Promotes continuous improvement in operations, systems and clinical care. Fosters a climate that embraces change and celebrates improvements. Expects subordinates to demonstrate commitment to improving systems and processes. Shapes planning and goal-setting in ways that set clear expectation for continuous improvement.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know/ No Answer N/A
	Comments:					
Develops Management Team Establishes organizational structures and culture that attract, develops and retains the best available leadership team. Sets clear performance standards for the management team with appropriate feedback.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know/ No Answer N/A
	Comments:					
Strengthens Human Resource Management Attracts and retains the right people for leadership positions and develops their talents. Plans and provides for orderly management succession. Establishes and maintains a good work environment. Promotes learning and development. Fosters a strong performance orientation.	Poor / Unacceptable 1	Satisfactory 2	Meets Expectations 3	Commendable 4	Outstanding 5	Don't Know/ No Answer N/A
	Comments:					

APPENDIX E

Sample Performance Appraisal Forms

SAMPLE: CEO 360° Performance Appraisal Form Board Of Directors Version (Cont'd)

Overall Performance Rating						
Please provide your overall rating of the CEO's performance. Provide your comments in the space below.	Poor / Unacceptable	Satisfactory	Meets Expectations	Commendable	Outstanding	Don't Know/ No Answer
	1	2	3	4	5	N/A
Comments:						

Examples

Please identify any examples of performance that you believe are particularly noteworthy. Explain how the examples illustrate your evaluation above.

Achievements

Please identify any achievements you believe should be recognized.

Improvements Needed

Please note any areas in which the CEO's abilities or performance should be improved.

Signature (Optional)

REFERENCES

Pointer, D., and Orlikoff, J. (1999), *Board Work: Governing Health Care Organizations*. San Francisco: Jossey-Bass.

Pointer, D., and Ewell, C. (1994), *Really Governing: How Health System and Hospital Boards Can Make More of a Difference*. Albany, NY: Delmar.

Tyler, L., and Biggs, E. (2001), *Practical Governance*. Chicago: Health Administration Press.

Korn/Ferry International, *Board Meeting in Session*, "Evaluation the Chief Executive Officer" (1998). In conjunction with the University of Southern California's Marshall School of Business: Center for Effective Organizations and The Leadership Institute.

National Association of Corporate Directors. Report of the NACD Blue Ribbon Commission on "Performance Evaluation of Chief Executive Officers, Boards, and Directors" (1995). Washington, DC: National Association of Corporate Directors.

National Center for Nonprofit Boards/ "Assessment of the Chief Executive: A Tool for Governing Boards and Chief Executives of Nonprofit Organizations" (1999). Washington, DC: NCNB.

Carver, J. (1997), *Board Assessment of the CEO*. San Francisco: Jossey-Bass.

CEO Performance Evaluation (1998), The Governance Institute, La Jolla, CA.

**For sample CEO performance evaluation forms,
please visit our Knowledge Center at
www.IHStrategies.com**

The Governance & Leadership practice of Integrated Healthcare Strategies uses proven, state-of-the-art governance design, educational programs, and tools to help boards use their time and talents more effectively. Our team of consultants have extensive experience in the assessment of board performance and in the development of strategies and systems to continuously enhance the governance of complex healthcare and hospital systems.

For more than 40 years, Integrated Healthcare Strategies (Gallagher Integrated), a division of Gallagher Benefit Services, Inc., has provided consultative services and people-based solutions to clients across the healthcare spectrum, including community and children's hospitals, academic medical centers, health networks, clinics, and assisted-care providers. Our Gallagher Integrated consultants and nationally recognized thought-leaders help organizations achieve their business goals, by ensuring top talent is attracted, retained and engaged, while measuring and maximizing human and organizational performance. With tailored solutions that extend well beyond single services, Gallagher Integrated offers the knowledge, guidance, and insights that organizations need to not only survive the rapidly changing healthcare environment, but to succeed in it.



JAMES A. RICE, PH.D., FACHE
Managing Director and Practice Leader
Governance and Leadership

Integrated Healthcare Strategies
a division of Gallagher Benefit Services, Inc.

901 Marquette Avenue South, Suite 1900
Minneapolis, Minnesota 55402
612-703-4687
www.IntegratedHealthcareStrategies.com

For additional information about how to enhance the effectiveness of health sector governing boards, contact us at: contact@ihstrategies.com

