

Evaluating the Nonprofit CEO's Performance

Evaluate the CEO: It's often the last thing executives sitting on nonprofit boards want to do, but also one of the most important

by Julie Iacobelli



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NONPROFIT BOARD MYTHS

The executive director is doing such a good job, there's no need for a review this year. **False.** A good leader realizes there is always room for improvement.

Executive sessions are called only by boards in nonprofit organizations with poor board-CEO relations. **False.** Executive sessions build confidence in shared visions and allow for the exchange of opposing views as well as evaluation of the nonprofit CEO.



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Nonprofit boards are notorious for dragging their feet when it comes to evaluating the leaders of the nonprofits they serve. For starters, the process is perceived as a time-consuming endeavor. But mostly, boards aren't really sure *how* to conduct the evaluation. Nonprofits are, after all, measured beyond profit margins to their community outreach efforts as well as their social and economic impact.

Even so, the value of evaluation cannot be overlooked. It's a path toward success for not only the nonprofit CEO, but also the organization, those served, and the community as a whole. The best news is that the process need not be complicated.

Evaluations are easier, however, when the organization has a solid strategic plan against which to evaluate the CEO's performance. Print the plan out, review it, and assess: Under this leader, have objectives been met? Is the organization impacting the quality of life of its constituents? Is it engaged with the community? Have fundraising goals been exceeded? Has the organization gained favorable publicity? Are public-private partnerships evolving? Is the nonprofit becoming self-sustaining? What deliverables — specific to the strategic plan — have been met under the CEO's leadership? While the nonprofit CEO isn't responsible for every action item on the plan, he or she *is* responsible for moving that plan forward.

"As a former nonprofit CEO, the board and I — on an annual basis — would set three to four goals that flowed from the strategic plan," says Fred Chaffee, retired president and CEO of Arizona's Children Association. "These goals had different weights assigned to them, and the goals were cascaded out across the entire agency."

Chaffee, now a member of numerous community boards of directors, suggests that goals set mutually by the board and CEO, as well as their accompanying metrics, be reviewed every few months. The CEO uses those goals to drive the agency, and the results are part of his evaluation.

Another key to evaluation is comparing the leader's performance against the previous year's review. How did he or she respond to specific action items identified last year?

GETTING STARTED

If a board doesn't have an existing evaluation blueprint, its members often don't know where to begin.

Decide who is in charge. A board committee should manage the evaluation process. Many times the executive committee takes on this role; other times, human resources committees and governance committees lead the evaluation process.

Set timelines. Build backward from the fiscal year-end or performance review deadline. What specific tasks need to take place before the year ends to evaluate the organization's leader?

Assign responsibilities. Who is responsible for reaching out to the organization's most engaged stakeholders, for reviewing the updated strategic plan and coming back with

Why Evaluate, Anyway?

What message does an organization send when it assesses the performance of employees, but not its top leader? Not a good one. Leadership studies show that nonprofit CEOs actually clamor for feedback, often pushing boards to administer evaluations.

- By conducting a performance evaluation, the board:
 - Offers a professional development opportunity to the CEO;
 - Provides a written record and documentation of strong performance, which allows the nonprofit leader to receive raises as well as gain recognition for the institution and its employees; and
 - Reduces the possibility of legal liability by a nonprofit leader claiming wrongful termination without cause.

Most importantly, the CEO's performance is a measure of the organization's ability to accomplish its mission, vision and strategic

plan. It's also a barometer of the overall health of the organization, as well as a valuable tool allowing the board to assess its own role in guiding the nonprofit.

Tips for Successful Evaluations

Having at hand these key tools will help lessen the burden of performance evaluations:

- A current job description for the nonprofit CEO,
- An organizational strategic plan and related operational plans, and
- Annual and long-term fundraising plans. Without an understanding of how much money will be needed to achieve institutional goals — or how the organization will raise those funds — a strategic direction cannot be fully developed, making the leader's effectiveness that much more difficult to measure.



evaluation recommendations? Committees may assume these roles, or they may be parceled out to individuals.

DEVELOPING THE EVALUATION TOOL

One of the first steps is to build a tool — preferably one with a list of deliverables for measuring the CEO's performance. To get started:

Assess organizational values. Are the CEO's actions aligned with the values of the organization? Do his actions show a respect for the organization? Does he respect the clients served by the organization? To measure, conduct interviews. Talk to constituents and volunteers.

Assess internal opinions. Do staff members feel supported and heard? What are their general opinions of the organization? Encourage employee feedback that is *not* anonymous. Put in place a plan whereby employee responses are routed to an identified board member with the promise of confidentiality. Seek clarification from those employees when necessary and in cases of significant concern.

Review annual client surveys. These yearly surveys, offered in some organizations (especially health and human services) can provide useful organizational performance feedback.

Review accreditation standards, key performance indicators and quality assurance committee feedback. Licensing bodies, grant providers and funders of the organization use various performance metrics in assessing awards and accreditations. Review those reports and flag areas of concern. Contact funders, licensing bodies and others for further clarification. In organizations with quality assurance committees, seek the insight of this group relative to the CEO's — and the organization's — performance.

LOGISTICS OF THE FINAL EVALUATION

Once the evaluation tool has been developed, responsibilities have been assigned and data has been collected into a final report, it's time for the evaluation committee to reconvene.

Their findings should be presented to the board's executive committee (if this group isn't already spearheading efforts) during an executive session, then next to the full board, without the CEO. This protocol allows all board members to react to the evaluation results and determine action items to be discussed directly with the CEO. Finally, the board chair (or the entire executive committee) meets with the CEO to discuss areas of strength and measurable suggestions for improvement. ■

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This article was published
in the January 2015 issue
of *In Business Magazine*.