

Elements of GOVERNANCE®

Providing CEOs, board chairs, directors, and support staff with the fundamentals of healthcare governance

A SERIES BY THE GOVERNANCE INSTITUTE

CEO PERFORMANCE EVALUATION IN THE NEW HEALTHCARE INDUSTRY

THIRD EDITION



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Elements of Governance® is designed to provide CEOs, board chairs, directors, and support staff with the fundamentals of not-for-profit governance. These comprehensive and concise governance guides offer quick answers, guidelines, and templates that can be adapted to meet your board's individual needs. Whether you are a new or experienced leader, the *Elements of Governance*® series will help supply you and your board with a solid foundation for quality board work.

About this Edition

This edition has been heavily edited, updated, and revised by **Marian C. Jennings**, president of M. Jennings Consulting, Inc. and a Governance Institute advisor. Ms. Jennings has over 30 years of healthcare consulting experience and is a nationally recognized expert in strategic planning, governance restructuring, and affiliation planning. She served as editor and coauthor of *Health Care Strategy for Uncertain Times*. Ms. Jennings is a frequent national speaker and author on the topics of strategy, health system integration, physician development strategies, contemporary governance, healthcare reform, and finance. Ms. Jennings holds a Master of Business Administration degree from Harvard University and a bachelor's degree in mathematics, *magna cum laude*, from Tufts University.

We thank Ms. Jennings for her expertise and time dedicated to this updated edition.

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Introduction

A key responsibility of the healthcare board involves management oversight and review, accomplished through routine CEO performance evaluation.

The Joint Commission mandates routine assessment of the chief executive's performance, and observers clearly view this activity as a primary indicator of good governance. In recent years, CEO performance expectations have been tied increasingly to incentives related to quality and patient safety improvement measures, patient experience, financial performance, or other goals important to the organization's success in transforming to better meet future market risks, uncertainties, and challenges.

For those hospitals or other organizations that are subsidiaries of a health system, the CEO performance evaluation typically is a responsibility shared between the local board and system senior management. Before designing or modifying the board's CEO performance evaluation process, subsidiary board leaders should ensure that they understand their roles and responsibilities in the evaluation process and the tools and approaches used by the system.

While performance evaluation is not a responsibility many board members enjoy, it is fundamental to governance. At its best, it aligns organizational mission, values, goals, and objectives with organizational and CEO performance. Clear and well-understood board expectations of CEO performance are the foundation of a mutually respectful, collaborative board-CEO working relationship. The chief executive may have anxieties about being evaluated, but the need to know typically outweighs any fears and, in fact, executives usually expect and desire structured performance evaluations.

The foundation of the performance evaluation is consensus around a clear vision of the desired future state of the organization in five years, along with a short list of tangible, objective strategic metrics that represent what the board believes will constitute long-term success. The agreed-upon vision and its associated strategic metrics will guide the CEO's priorities and activities. 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. Performance evaluation gives both the board and the CEO an opportunity to measure progress. At this level, the CEO and organizational performance are largely inseparable, and the CEO's performance goals are aligned with the organization's strategic plan.

This *Elements of Governance*[®] offers the basic rationale for a formal, continuous process of board evaluation of your chief executive officer, suggests a process for getting started, outlines the components you will need to have in place to administer such an evaluation, and provides three sample evaluation tools.

The Value of CEO Performance Evaluation

Your board deals with many issues and responsibilities, but its primary function is to establish and maintain a framework for the effective, legal, and ethical operation of the organization while ensuring its long-term viability.

You do this through a combination of directives and specifications: the mission statement, board bylaws, board policies, strategic plan, short- and long-term goals and objectives, and the selection and regular evaluation of your chief executive. The CEO is responsible for implementing board policies, adhering to the mission and values of the organization, managing the organization in accordance with the mission and policies, and working toward organizational goal achievement by being the board's "leadership partner" and change agent.

An *effective* CEO performance evaluation¹ will:

1. Build upon a board-approved, clearly defined vision, mission, and set of values for the organization.
2. Clarify in writing the board's expectations of the CEO.
3. Assess the CEO's performance on core leadership responsibilities, roles, and duties as outlined in the CEO's job description.
4. Provide clear goals to help the CEO identify and prioritize work to be accomplished.
5. Focus the CEO on things that really matter to the board and to the direction of the organization, related to both short-term performance and long-term success factors.
6. Enhance the working relationship between the board and CEO by being a dialogue rather than a one-way process.
7. Be a formal, continuous process—not simply a once a year event—involving the board chair or other designated board members who provide a continuous feedback loop with the CEO throughout the year.
8. If the board requires that the CEO's compensation package is based, in part, on the CEO's performance evaluation, the relationship should be clearly defined, with the use of selected objective measures from the overall performance evaluation.

An *effective* evaluation also benefits the CEO by being a systematic and objective process to ensure CEO accountability:

1. Ensuring that the performance evaluation is multi-dimensional and objective, thereby reducing subjective judgments of performance.
2. Helping the CEO develop his/her competencies and experiences.
3. Giving the CEO an opportunity to engage in self-assessment of personal performance.

¹ If the hospital or healthcare organization is a subsidiary of a health system, the evaluation process needs to incorporate the priorities of the system's strategic plan, its objectives for the subsidiary organization, system management's expectations of the local CEO, and any policies or procedures for the evaluation utilized by system management.

4. Providing the CEO with honest feedback, direction, and reaffirmation regarding performance.
5. Eliminating surprise (the well-known board-to-CEO evaluation pattern of “good job, good job, good job—gone!”).

An effective performance evaluation process ultimately nurtures the growth and development of both the chief executive and the organization and builds a stronger working relationship between the board and the CEO.

Important Considerations for CEO Performance Evaluations²

1. CEO performance versus organizational performance

The implicit assumption in the evaluation process is that the performance of a chief executive and the organization are largely inseparable. While the two are obviously closely related, the evaluation process should focus on behaviors and areas where the CEO has the most direct control over organizational performance. It is important to recognize unexpected changes in the industry and economy so that CEOs are not unfairly punished for economic downturns, or overly rewarded when an exuberant market benefits all.

2. Independent information for the board

One potential flaw in the CEO evaluation process is that board members rely heavily on information provided by the CEO to make their evaluation decisions. While this information is vital to any good performance evaluation, and also should include the CEO's own self-assessment, it should be balanced by other sources of information such as ratings from physicians and employees through satisfaction surveys, and even benchmarks against other leaders in the industry. This is one of the main reasons some boards have adopted a multi-rater/360-degree feedback evaluation method (described later in this document).

3. Current performance and transforming for the future

Measuring indicators of strong performance in today's healthcare environment—such as inpatient satisfaction or readmission rates—is important. However, focusing exclusively on such measures may inadvertently result in an overly hospital-centric focus and/or reward only short-term success. Most boards expect their CEOs to serve as change agents during this period of market disruption. This requires that the CEO be a strategic thinker and leader, with the demonstrated ability to engage physicians, administrators, and staff as partners in transformational change. The board should ensure that the CEO performance evaluation includes indicators both of effective leadership in today's world *and* how well the CEO is helping to prepare the organization for future success.

4. 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 be willing to enforce the results.

² Adopted in part and with modifications from Korn/Ferry International, *Evaluating the Chief Executive Officer* (1998).

The Evaluation Process

Establish, Review, and/or Revise the Fundamentals

The performance evaluation process begins with a systematic review of the fundamentals for CEO performance evaluation:

- The organization's **vision and mission**
- Three to five tangible, **objective strategic metrics** (or “destination metrics”) by which the board will measure how well the organization has achieved its vision five years from now
- **Annual goals and objectives** consistent with the vision, mission, and destination metrics
- The CEO's **job description**

If these components are not in place or are outdated, the process presents the opportunity to develop or revise them. This will take time and effort, but the rewards outweigh the trouble. It is not necessary to develop the “perfect evaluation system”—it is more important to get something effective, reasonable, and workable that also may be improved over time.

The process can be initiated by either the board or the CEO, but all must be involved. Ideally, the CEO contributes to the design of the process. This ensures that the CEO understands the performance areas on which the evaluation will be based.

A board committee should be designated for the evaluation process. Typically, this is the executive committee or another committee whose charge incorporates performance elements. Such a committee can serve as the best forum for this systematic review of mission, progress against the five-year destination metrics, annual goals and objectives, the CEO's job description, and the overall development of the process. If the review process results in modifications or changes, it is important to bring these to the full board for consensus.



The board and the CEO should agree on the CEO's written performance goals and the process before the evaluation takes place. Ideally, these goals and the process will be in place no later than the first quarter of each fiscal year.

If your organization is a member of a health system, the system may have in place policies and procedures related to the evaluation process for the local CEO. Your board and board support staff should ensure that your process complies with such system policies and procedures.

If your organization is a member of a health system, often the CEO has a dual reporting relationship to his/her board and to a senior executive from the health system. In such a case, the system executive should be directly involved in providing feedback to the CEO on his/her performance throughout the process and approving any action plans developed for CEO performance improvement.

Develop and Finalize the Performance Criteria: What Matters Most?

When the aforementioned components are in place, the committee should develop criteria for rating performance. The criteria should describe the core leadership responsibilities, activities, and behaviors essential for the CEO to measure up to board expectations. Performance criteria should be based on what matters most to the board and be consistent with the CEO's job description. Typically, these will include:

- Enterprise leadership and vision, including being an effective change agent
- Board relations and communications
- Strategic planning and accountabilities for strategic plan implementation
- Operational management skills and abilities
- Quality of care, safety, and consumer experience
- Financial management
- Employee engagement
- Physician alignment/integration
- Community/external relations
- Personal and professional attributes

When finalizing criteria, it helps to build statements around each. Then take the criteria "statements" and categorize into measurement areas: quantitative and qualitative. Qualitative measures can be broken down further to specifically focus on CEO compliance with board expectations or mandates.

The board should ensure that the CEO performance evaluation includes indicators both of effective performance and leadership in today's world and how well the CEO is helping to transform the organization for the future.

Examples are presented below to use as a starting point to develop and refine your own criteria.

Overall organizational performance through a series of quantitative measures:

- Financial performance against the budget
- Key financial ratios and/or bond rating
- Cost-efficiency of care
- Operating indicators such as length of stay, readmissions, number of attributed or covered lives, market share, etc.
- Quality of care and patient safety metrics
- Physician engagement scores
- Employee engagement scores
- Achievement of diversity plans
- Patient satisfaction from survey scores across the care continuum
- Progress toward accomplishing long-term destination metrics as reflected in annual “balanced scorecard” tied to these strategic metrics



Leadership and managerial excellence through a series of qualitative performance measures:

- The extent to which the CEO models the values and expected behaviors of the organization, including high ethical awareness, honesty, and fairness.
- The extent to which his/her leadership style fits the organization's needs (e.g., effectively communicating the organization's mission/vision to all levels of staff, creating common understanding imperatives to change, strength as a motivator, strong management skills, management functioning as a team, replacing weak managers in a timely fashion, etc.).
- The CEO's ability to foster collaborative and multidisciplinary approaches to care delivery that enable the organization to pursue population health successfully.
- The CEO's contribution to institutional success through his/her guidance in planning, human resources management, quality and safety, financial management, compliance with regulations, advocacy, promotion of the hospital, and his/her leadership ability.
- The extent to which the relationship between the CEO and the board indicates his/her respect for the board's independence.
- The extent to which the CEO is a systems thinker—seeing all the component parts and bringing them together to create synergies.
- Compliance with board policy or provisions of the employment contract that specify what the CEO must and must not do.

The following are some examples of activities the CEO *must* undertake:

- The CEO will keep the board informed on all important matters affecting strategies and operational performance, and deal with the board employing a doctrine of “no surprises.”
- The CEO will behave in a highly ethical manner in both personal and professional dealings such that the organization's reputation is not damaged or placed at risk.
- The CEO will establish sound working relationships with a broad range of public constituents.

The following are examples of activities *prohibited* by the board:

- The CEO will not engage in or knowingly allow employees to engage in any act that would be judged by a reasonable person to be unethical or illegal, or that violates board policy.
- The CEO will not accept any gifts or other gratuities that have a value exceeding XXX, whether products or services, from individuals or organizations doing or seeking to do business with the hospital.

If your organization is a member of a health system, the health system may have in place CEO performance evaluation criteria that it uses consistently across markets. Your board and board support staff should ensure that your performance evaluation criteria are consistent with any such system criteria.

Note: You may include a set of criteria to assess whether the CEO has accomplished his/her individual professional objectives for the year. However, some experts believe that individual professional objectives are not relevant to the overall evaluation. Either approach may work for your organization. If you decide to include these in your process, you should clearly differentiate “individual professional” goals and objectives from “organizational” goals and objectives. For example, a CEO may consider participating in appropriate educational or credentialing activities to be an individual professional objective, but this would only be relevant if supported by the board as important to organizational success.

A Note about Compensation

The CEO’s annual performance review typically is tied to discussions about CEO compensation. But evaluation for the exclusive purpose of adjusting salary or determining incentive compensation can turn the process into a narrowly defined exercise and defeat 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.

The board should clearly articulate its primary purposes for the CEO performance evaluation. For example, you may affirm that the evaluation’s primary purpose is to support or change behavior, and/or to take the pulse of the organization through the performance of its leader, and/or to encourage your CEO’s self-discovery and improvement, and/or to reexamine the match between the organization’s progress and the performance of your CEO. But experts strongly recommend that determining the CEO’s compensation should not be a primary objective of the evaluation.

Your strategic plan, your expectations of the CEO, and your compensation philosophy and plan must be congruent. However, performance is only one aspect of determining compensation. You can and should identify specific components of the evaluation that will be used in assessing compensation, but factors outside of performance must also be considered.

CEO compensation decisions are complex and an important board issue in their own right. As a result of heightened oversight of executive pay in tax-exempt organizations, there is a lot to take into consideration when making these decisions. The IRS has strict guidelines on how the board needs to approach CEO compensation to assure it is



reasonable for the market and position.³ Seek experienced counsel about your process for establishing base pay, all benefits, and incentive compensation to be sure that you met the IRS requirements for documented “rebuttable presumption of reasonableness,” which requires three elements:

1. **Independent members of a board or committee review and approve compensation.**
2. **Decisions are made based on appropriate comparability data compiled by independent firm(s) considering all elements of compensation/economic benefit.**
3. **Adequate contemporaneous minutes/written record of the decision process/approval of the body’s work are promulgated.**

While CEO performance evaluation is an important element in informing decisions about compensation, remember it is just one of the many steps needed in this decision-making process. Experts recommend that the performance evaluation elements used as part of the executive compensation determination be selected to ensure that both short-term (annual) objectives and long-term goals of the organization are included and that they are clearly aligned with the overall strategic plan.

Factors to Consider When Determining Your CEO’s Compensation

- Your organization’s compensation philosophy in a changing healthcare environment
- Fair market value (including consideration of the entire benefit package; this is tied to scrutiny of the organization’s tax-exempt status and should be considered and documented very carefully)
- Input from independent, third-party experts related to industry comparables
- Equity within the organization
- Changes in the CEO’s roles due to industry changes
- The special qualifications he/she brings to the job
- Risk or volatility of the position
- Media scrutiny, regulatory compliance, and community considerations
- Affordability

Select or Develop a Method for the Performance Evaluation Process

After reaching agreement on the performance criteria, the board committee needs to develop or select an evaluation tool. Boilerplate forms have been published by various associations, and specific methods have been endorsed by some corporate resource specialists. The success of the evaluation process, however, depends in part on how well the evaluation form measures what is 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.” It is advisable to customize your approach. Some healthcare boards use a “multi-rater” or “360-degree feedback” evaluation process that incorporates structured feedback on topics such as leadership and job-specific behaviors from a wide variety of

3 See Michael W. Peregrine, *Is the Job Getting Harder? Updated Guidance for the Board’s Executive Compensation Committee* (white paper), The Governance Institute, Summer 2006, for more information on compensation requirements and process.

sources including customers, peers, coworkers, and employees. Some experts consider this process more effective than traditional evaluations. Its primary advantages are:

- It enables the board to form an impression of the CEO's day-to-day behavior.
- Feedback from many provides more multidimensional input.
- It may generate less defensiveness than traditional approaches.

The multi-rater evaluation process may be right for your organization, but when considering this approach, the board should make sure it is implemented in an unbiased, structured manner. Soliciting feedback from physicians, direct reports, and in some cases community leaders, on the CEO's performance without a formal method for understanding that feedback in the right context will put the board in an inappropriate position of separating complaints, petty or legitimate, from philosophical differences—differences that may stem directly from the organizational goals set by the board rather than from what others may consider the CEO's "agenda." It may also force the CEO to justify his/her behavior when justification is neither necessary nor appropriate.

Samples of CEO evaluation questionnaires, including a multi-rater evaluation form, appear in the Appendix. These are not meant to be prescriptive but to provide a starting point for a tool/form that meets your unique needs. If your organization is a member of a health system, the health system may have in place policies and procedures related to evaluation form(s) and processes to be used at the subsidiary level. Your board and board support staff should ensure that your evaluation process complies with all system policies and procedures.

It is important for the board chair or his/her designees to conduct regular progress reports with the CEO to provide him/her with the opportunity to improve throughout the year. This provides more timely feedback, enhances the board–CEO working relationship, creates an opportunity to identify and address any misunderstandings or gaps in expectations, and reduces the likelihood of surprises at the end of the year with a poor performance evaluation.

Distribute the Performance Evaluation Questionnaire

The performance questionnaire and packet should be distributed to all board members and to the CEO. This can be accomplished electronically or in hard copy. Everyone should be given sufficient time to complete the questionnaire. It is customary to allow two weeks.

The evaluation "packet" should include a cover letter, detailed instructions, a copy of the CEO's job description, annual goals, and the organization's performance against strategic balanced scorecard metrics, the performance plan/criteria for the CEO as agreed to by the board and the CEO, and the questionnaire itself. Because this is a lot of information, the task may seem a bit overwhelming to board members. It helps to

prepare the way by keeping the board up-to-date on the evaluation process as it evolves in committee, and frequently alerting the board to the magnitude of this obligation.

The cover letter should describe briefly why the evaluation is important, emphasize thoughtful consideration of responses, and note that detailed instructions accompany the questionnaire. It should also assure board members that responses will be reported anonymously. Finally, it should note that complete results will be shared with the board in a summary report, and when to expect the report.

It is also important that the CEO complete the questionnaire. Although his/her responses will not be included in the summary of board opinions, the committee will want to compare the board's results with those of the CEO. Variations can point to areas for discussion with the CEO. Large discrepancies may indicate communication problems or misunderstandings about the CEO's responsibilities and board expectations.

When the Results Are Ready

When a report of the results is complete, the board committee chairman, and other committee members as appropriate, should meet with the CEO to review the report and discuss the appraisal results before sharing the results with the full board. This meeting should focus solely on feedback and not let compensation become a principal focus of the discussion. Such a meeting enables the committee and the CEO to review and discuss his/her performance strengths and limitations as identified by the board and by the CEO in his/her own self-assessment, and to develop action plans for the upcoming year.

Sharing the Board's Performance Evaluation with Your CEO

- Share the results with your CEO prior to bringing the performance evaluation to the full board.
- 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 upcoming year.
- Give your CEO the opportunity to prepare and present a response to the evaluation.
- If part of a health system, ensure that system management is directly involved in this step.

This meeting gives the committee the opportunity to do some “development counseling.” That is, up to this point, board members have taken a detailed look at the performance criteria by weighing the CEO's performance against each element. The criteria may have seemed abstract going into the evaluation, but the process itself forced the board member to modify or reinforce the importance of some of these criteria, thus bringing into focus, or crystallizing, important elements in his/her mind. This typically results in a list of attributes the board wants the CEO to develop or a list of actions the board wants the CEO to take. And it guides the discussion of the implications of the CEO's strengths and limitations for the future of the organization.

The CEO may need time to ponder the information and feedback he/she receives in this meeting, and may want to prepare a written response. This is fair and ultimately

contributes to the evaluation process. It is important to give your executive both the opportunity and time to respond to your findings.

The committee then presents the full board with a summary of the findings, and a summary of the subsequent meeting(s) with the CEO. Of course, this information must be treated confidentially.

If your organization is a member of a health system, often the CEO has a dual reporting relationship to his/her board and to a senior executive from the health system. In such a case, the system executive should be directly involved in providing feedback to the CEO on his/her performance throughout the process and agreeing to any action plans developed for CEO performance improvement.

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

1. If member of a health system, make sure you are complying with the system’s approach to CEO performance evaluation.
2. Have a job description for the CEO and make sure it is up-to-date.
3. Have written organizational expectations directly tied to the board-approved strategic plan and destination metrics.
4. Guide the process via a special committee of the board (e.g., executive committee), approved by the full board.
5. Give the committee and the CEO the responsibility of developing the criteria for CEO performance evaluation and make sure these are directly related to the strategic plan.
6. Ensure that performance criteria focus on what matters most to the organization/the board.
7. Make sure that the evaluation criteria include both short-term (we are performing well given today’s rules) and long-term (we are positioning for success in new era) elements.
8. Decide on the design and content of the evaluation questionnaire.
9. Distribute, collect, tabulate, and analyze results; and compare results with CEO’s responses to the questionnaire (his/her “self-assessment”).
10. Present findings in committee to the CEO, get his/her feedback, and determine CEO’s performance improvement action plan for the upcoming year.
11. Present summary of findings and results of meeting with the CEO to the full board.
12. Conduct regular progress reports with the CEO to provide him/her with the opportunity to improve throughout the year, rather than surprising him/her at the end of the year with a poor report.
13. Identify specific measures that will contribute to CEO compensation increases and bonuses (use at a later date as part of overall compensation consideration).

The Do's and Don'ts of a Good Performance Evaluation

Here are some critical do's and don'ts to ensure good results from the CEO performance evaluation:

Things to Do

1. **Make performance evaluation an ongoing process, not just an annual process.** Address issues as they occur, formally, at least each quarter. Each quarter, the CEO should give an oral briefing on how he/she is working toward accomplishing expectations and goals specified in the formal performance evaluation process, and also report results achieved. 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 do something about.** Emphasize outcomes and means over which the CEO has a high degree of personal and direct control and influence.
3. **Involve the CEO in the process.** This ensures that the CEO is aware of and understands the evaluation objectives and elements.
4. **Link the performance criteria to your balanced scorecard and your long-term destination metrics** (or tangible measures of how well the organization is living up to its mission and vision). It is very important to ensure that you are not just evaluating CEO performance against "today's rules" when we know that healthcare is undergoing dramatic changes. We also need to ensure that we are expecting and rewarding performance that moves the organization towards its long-term vision.
5. **Make sure the performance criteria are agreed to by both the board and CEO.** Take the criteria outside the committee and get full board agreement.
6. **Pay attention to style in addition to substance.** Much of what a CEO accomplishes (or does not accomplish) relates to his/her personal leadership and management style. Be sure to include these types of elements in the evaluation.
7. **Focus on things that really make a difference to the organization.** These should be activities that fulfill the organization's mission and help accomplish its goals.

Things Not to Do

1. **Don't make CEO evaluation a popularity contest.**
2. **Don't use only a prefabricated CEO evaluation form from a book, workshop, or magazine.**
3. **Don't leave out important expectations just because they are difficult to measure.**
4. **Don't commission a group of citizens to evaluate your CEO for you.**
5. **Don't evaluate the CEO on criteria that have not been created in writing by the board ahead of time.**

6. **Don't conduct the evaluation to determine compensation.** Performance is only one aspect of compensation determination.
7. **Don't ask staff, the public, or physicians what they think of your CEO's performance unless you've adopted an objective multi-rater performance evaluation method (see the Appendix).** 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.

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Appendix

Sample 1. CEO Performance Evaluation (Comprehensive)

The Governance Institute thanks the following Governance Institute advisors for contributing their feedback and expertise to the development of this assessment tool:

- *Marian C. Jennings, M.B.A., President, M. Jennings Consulting, Inc.*
- *Guy M. Masters, M.P.A., Principal, Premier, Inc.*
- *Kimberly A. Russel, FACHE, CEO, Russel Advisors*

Performance Dimension: Relationship with the Board										
1. Is open and forthright with the board about how the organization is doing, ensuring that the information presented by management accurately represent the organization's financial status, market position, quality and safety performance, and progress on strategic goals.										
2. Knows and adheres to the distinction between the role of management/operations and that of the board.										
3. Aligns with the board on key strategic priorities.										
4. Has an effective and collaborative relationship with the board chair.										
5. Connects and facilitates a connection between the executive team and the board.										
On a scale of 0–10, with 10 being high, please rate the performance of the CEO on <i>this dimension</i> :										
0	1	2	3	4	5	6	7	8	9	10
Performance Dimension: Enterprise Leadership and Transformation										
6. Creates and sustains a culture of innovation and transformation, with a consumer-centric and patient- and community-first focus.										
7. Ensures that the board has the information needed to assess and manage enterprise risk, including corporate compliance, strategic, and financial risks.										
8. Appropriately takes the organization in the direction of emerging methods of payment, such as bundled payment, pay-for-performance, and at-risk reimbursement approaches.										
9. Fosters collaborative and multidisciplinary approaches to care delivery that enable the organization to pursue population health and value-based care successfully.										
10. Keeps up to date on regional, national, economic, and other challenges and identifies the appropriate role for the organization in addressing these.										
On a scale of 0–10, with 10 being high, please rate the performance of the CEO on <i>this dimension</i> :										
0	1	2	3	4	5	6	7	8	9	10
Performance Dimension: Effective Leadership of Management Team										
11. Selects and develops a cohesive executive team to successfully implement the organization's objectives.										
12. Challenges and empowers physician and administrative leaders at all levels to be innovative problem solvers.										
13. Leads effective change management throughout the organization.										
14. Establishes clear accountabilities for management.										
15. Institutes leadership development programs that allow a majority of leadership roles to be filled internally.										
16. Ensures that the organization attracts, retains, motivates, and develops a highly qualified and diverse workforce.										
17. Maintains a work environment that promotes high employee and physician engagement; ensures proper attention to engagement of front-line staff.										
On a scale of 0–10, with 10 being high, please rate the performance of the CEO on <i>this dimension</i> :										
0	1	2	3	4	5	6	7	8	9	10

Performance Dimension: Mission/Strategy/Goals

- 18. Has a clear vision for the organization and works with the board and management to ensure the vision and mission remain contemporary/relevant.
- 19. Develops and effectively implements planning and budgeting processes to ensure the successful achievement of long-range strategic, operational, financial, and facility plans that support the organization’s mission and objectives.
- 20. Participates in all aspects of fundraising and effective functioning of the organization’s foundation.

On a scale of 0–10, with 10 being high, please rate the performance of the CEO on *this dimension*:

0 1 2 3 4 5 6 7 8 9 10

Performance Dimension: Quality, Safety, and Experience

- 21. Creates and sustains a culture of safety throughout all departments, service lines, and care settings.
- 22. Ensures effective quality and safety assessment systems are in place, sets high standards for quality and safety, and promotes continuous quality-improvement initiatives.
- 23. Allows adequate time on board meeting agendas for regular discussion of quality, safety, and patient experience performance metrics and related concerns.

On a scale of 0–10, with 10 being high, please rate the performance of the CEO on *this dimension*:

0 1 2 3 4 5 6 7 8 9 10

Performance Dimension: Financial Management

- 24. Ensures that adequate financial controls are in place to protect the financial health of the system; acts as a “steward” for the long-term financial health of the organization.
- 25. Develops, implements, and executes realistic financial plans and budgets.
- 26. Links strategic and operational planning with the budgeting process, including multi-year capital planning.
- 27. Ensures efficient use of resources and balances capacity, cost, and quality with patient and community needs.

On a scale of 0–10, with 10 being high, please rate the performance of the CEO on *this dimension*:

0 1 2 3 4 5 6 7 8 9 10

Performance Dimension: Community/External Relationships

- 28. Promotes programs to enhance the health and well-being of the community.
- 29. Is on the pulse of public and brand perceptions of the organization including, but not limited to, those found on social media platforms.

On a scale of 0–10, with 10 being high, please rate the performance of the CEO on *this dimension*:

0 1 2 3 4 5 6 7 8 9 10

Performance Dimension: Physician Relationships/Collaboration

- 30. Fosters a collaborative relationship with the medical staff and medical leadership.
- 31. Balances the needs of both community-based physicians and employed physicians (i.e., medical practices).
- 32. Takes the lead in implementing partnerships with physician groups and/or other healthcare entities that further the mission, vision, and success of the organization.

On a scale of 0–10, with 10 being high, please rate the performance of the CEO on *this dimension*:

0 1 2 3 4 5 6 7 8 9 10

Performance Dimension: Personal and Professional Attributes

- 33. Has a good reputation with the community and in the healthcare industry.
- 34. Establishes sound working relationships with a broad range of public “constituents,” including professional peers, major donors, and elected officials.
- 35. Exhibits the highest standards of personal integrity and professionalism (i.e., trust, communication, collaboration, and respect).
- 36. Shows visionary, outside-the-box thinking in attitude and actions.
- 37. Is a strong, effective communicator.

On a scale of 0–10, with 10 being high, please rate the performance of the CEO on *this dimension*:

0 1 2 3 4 5 6 7 8 9 10

Overall Performance Rating:

On a scale of 0–10, with 10 being high, please rate the overall performance of the CEO:

0 1 2 3 4 5 6 7 8 9 10

Open-Ended Questions:

What are the major strengths of the chief executive?

Please comment on areas where the chief executive has contributed significantly to advancing the mission of the organization:

How can the chief executive do better?

Please comment on areas where the chief executive might have made more progress in advancing the mission of the organization:

Sample 2. CEO Performance Evaluation (Short Form)

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Performance Dimension: Relationship with the Board
<ul style="list-style-type: none">• Works effectively as a partner with the board.• Provides open and accurate communication and information to the board. <p>Please select one:</p> <ul style="list-style-type: none"><input type="checkbox"/> Needs Improvement<input type="checkbox"/> Meets Expectations<input type="checkbox"/> Exceeds Expectations<input type="checkbox"/> Unable to Rate
Performance Dimension: Enterprise Leadership and Transformation
<ul style="list-style-type: none">• Creates and sustains a culture of innovation and transformation, with a consumer-centric and patient- and community-first focus.• Ensures that the board has the information needed to assess and manage enterprise risk, including corporate compliance, strategic, and financial risks.• Keeps up to date on regional, national, economic, and other challenges and identifies the appropriate role for the organization in addressing these. <p>Please select one:</p> <ul style="list-style-type: none"><input type="checkbox"/> Needs Improvement<input type="checkbox"/> Meets Expectations<input type="checkbox"/> Exceeds Expectations<input type="checkbox"/> Unable to Rate
Performance Dimension: Effective Leadership of Management Team
<ul style="list-style-type: none">• Selects and develops a cohesive executive team to successfully implement the organization's objectives.• Leads effective change management throughout the organization.• Establishes clear accountabilities for management.• Ensures that leadership continuity/succession plans are in place.• Ensures that the organization attracts, retains, motivates, and develops a highly qualified and diverse workforce.• Maintains a work environment that promotes high employee and physician engagement; ensures proper attention to engagement of front-line staff. <p>Please select one:</p> <ul style="list-style-type: none"><input type="checkbox"/> Needs Improvement<input type="checkbox"/> Meets Expectations<input type="checkbox"/> Exceeds Expectations<input type="checkbox"/> Unable to Rate

Performance Dimension: Mission/Strategy/Goals

- Translates mission/vision/values into effective strategies.
- Successfully implements the strategic plan.
- Demonstrates the ability to change and adapt strategy as needed.

Please select one:

- Needs Improvement
- Meets Expectations
- Exceeds Expectations
- Unable to Rate

Performance Dimension: Quality, Safety, and Experience

- Creates and sustains a culture of safety throughout all departments, service lines, and care settings.
- Ensures effective quality and safety assessment systems are in place, sets high standards for quality and safety, and promotes continuous quality-improvement initiatives.
- Allows adequate time on board meeting agendas for regular discussion of quality, safety, and patient experience performance metrics and related concerns.

Please select one:

- Needs Improvement
- Meets Expectations
- Exceeds Expectations
- Unable to Rate

Performance Dimension: Financial Management

- Protects the system's long-term financial health.
- Establishes a sound annual financial plan while maintaining appropriate financial controls.

Please select one:

- Needs Improvement
- Meets Expectations
- Exceeds Expectations
- Unable to Rate

Performance Dimension: Community/External Relationships

- Promotes programs to enhance the health and well-being of the community.
- Is on the pulse of public and brand perceptions of the organization including, but not limited to, those found on social media platforms.

Please select one:

- Needs Improvement
- Meets Expectations
- Exceeds Expectations
- Unable to Rate

Performance Dimension: Physician Relationships/Collaboration

- Fosters a cooperative relationship with the medical staff and medical leadership.
- Balances the needs of both community-based physicians and employed physicians (i.e., medical practices).
- Takes the lead in implementing partnerships with physician groups and/or other healthcare entities that further the mission, vision, and success of the organization.

Please select one:

- Needs Improvement
- Meets Expectations
- Exceeds Expectations
- Unable to Rate

Performance Dimension: Personal and Professional Attributes

- Establishes sound working relationships with a broad range of public “constituents,” including professional peers, major donors, and elected officials.
- Exhibits the highest standards of personal integrity and professionalism (i.e., trust, communication, collaboration, and respect).
- Is a strong, effective communicator.

Please select one:

- Needs Improvement
- Meets Expectations
- Exceeds Expectations
- Unable to Rate

Overall Performance Rating:

On a scale of 0–10, with 10 being high, please rate the overall performance of the CEO:

0 1 2 3 4 5 6 7 8 9 10

Open-Ended Questions:

What are the major strengths of the chief executive?

Please comment on areas where the chief executive has contributed significantly to advancing the mission of the organization:

How can the chief executive do better?

Please comment on areas where the chief executive might have made more progress in advancing the mission of the organization: