



CEO Evaluation Guide

An approach to CEO performance appraisal and development

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Introduction

According to Robert E. and Richard K. Toomey governance relates to; “the exercise of authority by a group of appointed or elected individuals who are responsible and accountable for the direction and control of the organization.” One of the important functions or responsibilities of the Board of Trustees is to assure the organization has effective executive management. This includes hiring the chief executive officer, setting expectations as defined in the employment contract, job description and the annual goals and objectives of the organization, and evaluating the performance of the CEO.

The board establishes policies of the organization and delegates authority and responsibility to manage and run the organization to the CEO. Given today’s challenges and ongoing changes taking place in health care, a formal evaluation process should be established for the purpose of assuring that governing boards and CEOs have a clear consensus of the organization’s goals, job expectations and performance measures.

This guide provides information on how regular CEO evaluations may be conducted. If the board currently does written evaluations, we recommend this suggested evaluation form for your use. If you do not currently evaluate your CEO, we encourage you to adopt this format for your own.

This document has been prepared by the Iowa Hospital Association to assist boards of directors and trustees in fulfilling their role and responsibilities.

Value of CEO Evaluation

According to James Orlikoff and Mary Totten, the purposes and benefits of the CEO evaluation process include:

- Linking compensation to CEO performance and providing an objective basis for recognizing and rewarding excellent performance
- Focusing the CEO's activities on the organization's mission and strategic plan
- Providing a mechanism to assess how effectively the CEO has implemented board policies and decisions
- Providing a basis for future CEO performance expectations
- Facilitating coordination and teamwork among the organization's leadership
- Creating a formal system for CEO professional and personal development
- Communicating board expectations of the CEO
- Protecting the CEO against considerable risk associated with doing the job
- Establishing parameters for CEO performance that enable the board to retain, provide constructive feedback regarding CEO professional and personal performance and if necessary, quickly and appropriately terminate the CEO

Through evaluation, boards can systematically maintain accountability for the actions of the CEO. The evaluation process should be a regular and formal process to avoid or reduce subjective judgments of performance. By employing a formal evaluation process, performance expectations can be made clear for both the board and CEO. A review of the organization's mission statement and strategic plan should be included in the process to ensure CEO and board agreement on the direction the organization takes over a given time frame. Use of a formal evaluation strengthens the congruence between the mission, goals and objectives of the organization and those of the CEO.

The evaluation is conducted to facilitate CEO improvement. Results of the CEO evaluation should be tied to CEO compensation.

Developing a Policy Statement on Performance Evaluation

Orlikoff and Totten suggest four main goals for CEO evaluation.

- Appropriate assessment and reward of CEO performance
- Linkage of executive performance to the organization's goals
- CEO growth and development
- Strengthening board/CEO relations

In establishing an evaluation process, the board and CEO should develop a policy statement on performance evaluation that addresses goals for evaluating the governing board, the CEO, and the employees of the organization. The policy should be adopted by the board. The policy statement should reflect a commitment to the principal of using a performance-based evaluation system and should address the relationship between evaluation, personal growth and compensation.

Developing a CEO Performance-based Evaluation Tool

To design an effective CEO evaluation process you need to have:

- A clearly defined vision, mission, and set of values
- An up-to-date strategic plan with clearly specified organizational goals and objectives
- A current written employment contract and job description for the CEO
- The current written job description for the Board of Trustees
- A shared understanding of the purposes of the CEO evaluation

The personal or behavioral performance appraisal tool offers an objective method of evaluating top management. The evaluation tool should have the following three components:

- I. Key characteristics required to perform the job. These dimensions should be identified by the CEO in conjunction with the governing board. These characteristics or dimensions might be found in the organization's bylaws, the CEO employment contract and the job description. These dimensions might include effective communication; leadership/managerial qualities; personal qualities such as integrity, judgment and sensitivity; needed knowledge and skills; community relationships; political effectiveness: board relations; medical staff relations and other areas of specific responsibility. Each dimension should have a performance rating to indicate the CEO's performance from unacceptable to excellent. The number of levels in the performance range should facilitate reviewer discretion and objectivity.

Identification of strengths and areas where development is needed. These developmental needs should be incorporated into the coming years goals. The identification of how the organization can assist the CEO in addressing developmental needs should be included in this section.

An overall performance rating.

- II. Evaluation of whether the CEO accomplished the current year's goals and objectives.
- III. Goals and objectives for the upcoming year including timeframes for accomplishment and criteria used to measure accomplishment of the goals.

Conducting a CEO Evaluation

A standardized process for CEO performance evaluation should be developed and adopted by the board. The evaluation can be conducted in a variety of ways, but the opportunity for input from each board member is important. All standards should be developed in advance by both the board and the CEO prior to the evaluation. An interview should be arranged at a location that is private and free from interruptions. The interview has the purpose of collecting and assessing information relative to standards of performance and also to discuss future actions where the goals and objectives of the institution may need adjustment or what future directions the board and the CEO should be taking.

Attached to the CEO evaluation form should be a written status report of the CEO's current year's goals (see Attachment I). In addition the CEO's goals for the upcoming year should also be attached (see Attachment II). The CEO has much to contribute to the evaluation process as a peer and a colleague.

After the interview, the committee should complete the written evaluation, including observations and reasons for any recommended actions. The final report should be presented to all board members and included in the CEO's confidential file.

Results of CEO Evaluation

Hospitals need boards that have positive relationships with hospital management. By virtue of the collective experience, boards need to evaluate top management periodically and recommend new ideas to further enhance the operation of the organization. The outcome of effective CEO evaluation will benefit both the CEO and the Board of Trustees. The CEO will receive appropriate recognition and compensation and the board will benefit in seeing the goals of institution realized. The key to effective performance appraisal is the development of a mutually agreed upon format and a process for evaluation that is objective and timely. If both the board and CEO are in agreement on the performance standards to be used, the evaluation can be a positive force in developing and meeting the goals and objectives of the institution.

CEO Evaluation Guide

Starting on page 7 is a suggested evaluation form. It is a guide and should be adapted and/or modified to better fit the organization's needs and circumstances.

Dimensions/Characteristics of Performance

Using the following definitions of levels of performance, please indicate below your perceptions and evaluations of your CEO’s work performance. Mark only those categories in which you feel able to evaluate his/her performance. Additional written comments can be made.

| | |
|------------------------------|---|
| Excellent | <ul style="list-style-type: none"> ▪ Performance is clearly outstanding. ▪ Performance is superior—it far exceeds standards or expectations. ▪ Performance is exceptional on a continuous basis. |
| Good | <ul style="list-style-type: none"> ▪ Performance generally meets or exceeds standards or expectations. ▪ Attains all or nearly all of position objectives. |
| Satisfactory | <ul style="list-style-type: none"> ▪ Performance is adequate—it meets standards or expectations, and is developing within the position. |
| Needs Improvement | <ul style="list-style-type: none"> ▪ Fails to meet one or a few job expectations |
| Unacceptable | <ul style="list-style-type: none"> ▪ Performance is below accepted levels. ▪ Fails to meet most job expectations. |
| No Basis for Judgment | <ul style="list-style-type: none"> ▪ Have not observed this skill or activity |

EXCELLENT **GOOD** **SATISFACTORY**
NEEDS IMPROVEMENT **UNACCEPTABLE** **NO BASIS FOR JUDGEMENT**

Leadership & Managerial Qualities

Functions as a self-starter, setting high personal standards and pursuing goals with a high level of personal drive and energy.

Functions as an effective member of a work group, gaining the respect and cooperation of others.

| | EXCELLENT | GOOD | SATISFACTORY | NEEDS IMPROVEMENT | UNACCEPTABLE | NO BASIS FOR JUDGEMENT |
|---|--------------------------|--------------------------|--------------------------|------------------------------|--------------------------|-----------------------------------|
| Provides effective leadership and direction to hospital staff. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Performs functions within the scope of responsibility and refers unrelated matters appropriately. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Maintains a work style which is open to constructive suggestions. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Demonstrates the leadership, initiative and persistence needed to accomplish goals and objectives. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assigns tasks to personnel capable of carrying them out. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Shows a willingness to try new approaches or methods. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Creates a feeling of unity and enthusiasm among those in contact with him. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Evaluates programs, practices, policies, procedures and personnel effectively. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Analyzes situations to determine basic problems, rather than symptoms, and to develop realistic alternative solutions. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Establishes clear vision and direction for organization. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Creates an organizational culture that is needed to carry out the mission, strategic directions and organizational goals. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Uses creative, innovative problem-solving strategies for adapting to uncertainties and complexities. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Monitors current budget and operational data to assure continued success of the organization. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicates appropriately matters of importance to staff. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | EXCELLENT | GOOD | SATISFACTORY | NEEDS IMPROVEMENT | UNACCEPTABLE | NO BASIS FOR JUDGEMENT |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Personal Qualities | | | | | | |
| The CEO is a person of integrity. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Demonstrates appropriate grooming and attire. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Judgment and Sensitivity | | | | | | |
| Affirms the unique contributions of all persons recognizing their diverse backgrounds and varying needs in the workplace. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Challenges, motivates, evaluates and rewards employees and managers toward the achievement of goals and objectives. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Values people and shows genuine concern for their well-being. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Makes sound and timely decisions. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Handles problems in a professional manner. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Knowledge and Skills | | | | | | |
| Demonstrates thorough knowledge and understanding of hospital management and operations. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is a prudent steward of physical and financial resources in month-to-month operations. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assures that facilities and equipment are suitable for the institution's immediate and long-range goals. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assures that the hospital's quality assurance plan is reviewed and revised as necessary on an annual basis. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assures the hospital is in accordance with applicable standards, codes, laws and regulations. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Anticipates trends and opportunities affecting hospital operations and develops an appropriate and timely response. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | EXCELLENT | GOOD | SATISFACTORY | NEEDS IMPROVEMENT | UNACCEPTABLE | NO BASIS FOR JUDGEMENT |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Board Relations | | | | | | |
| Works closely with board of trustees in developing the mission and long-and short-range strategic plans. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicates well with the board of trustees, providing appropriate information at and between meetings. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is readily available to individual board members. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Develops with the board of trustees hospital goals and objectives consistent with the hospital's strategic plan. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Works with board of trustees to create an optimal governance environment. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assesses the hospital financial condition, providing complete reports to the board of trustees on a monthly basis. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Appraises the results of programs and services and reports findings on a regular basis to the board of trustees. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Provides on a regular basis education programs for the board of trustees. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Develops long-range investment strategies for board approval. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Supports the policies, procedures and philosophy of the board of trustees. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Creates a sense of trustworthiness in board/CEO relations. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Medical Staff Relations | | | | | | |
| Has good rapport with the medical staff. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Communicates with and works closely with the medical staff members on matters of mutual concern. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | EXCELLENT | GOOD | SATISFACTORY | NEEDS IMPROVEMENT | UNACCEPTABLE | NO BASIS FOR JUDGEMENT |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Establishes and implements with the medical staff an effective credentialing process. Assures board involvement and approval. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assists when appropriate with the development and revision of staff bylaws and related policies and control systems. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Assists in determining community health care needs and in conjunction with the medical staff assumes leadership role in physician recruitment. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is an effective liaison between the board and medical staff. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Community Relations/Political Effectiveness

| | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Develops programs promoting a positive image of hospital, and creates awareness of available services to local community. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Represents the hospital in community activities. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Works closely with community leaders in determining local health care needs. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Promotes the mission of the hospital. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Has the respect of his peers in local and state health care organizations. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Is willing to listen to diverse views. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Maintains an active advocacy role in promoting the needs of the institution and its mission. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Effectively communicates activities of the hospital to the residents of the hospital service area. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Other comments: _____

CEO Evaluation _____

Section II

Strengths and Development needs

Based on the responses in Section I and II

- What are the CEO's major strengths (*List 2 or 3*).

1. _____

2. _____

3. _____

- What are the areas that need further development? (*List 2 or 3*)

1. _____

2. _____

3. _____

- What assistance or resources are needed to address developmental needs?

CEO Evaluation _____

Section III—Overall Performance

| | | | | |
|-----------|------|------------|-------------------|--------------|
| Excellent | Good | Acceptable | Needs Improvement | Unacceptable |
|-----------|------|------------|-------------------|--------------|

Resources

AHA trustee Workbook 1 January 1996, “CEO Evaluation and Compensation,” James E. Orlikoff and Mary K. Totten

Effective Practices in CEO Performance Appraisal, Jephtha W. Dalston, Ph.D., FACHE, Texas Hospital Trustees, Spring Forum, March 7, 1998

Trustee Guidelines for CEO Evaluation, Iowa Hospital Association, 1987, reprinted 1994 and 1999.