

Part IV: The Performance Appraisal Process

Part IV: The Performance Appraisal Process

In this workbook, a performance appraisal is described as the process by which the executive director and a board committee meet to:

- Formally review the accomplishments and challenges of the executive director
- Identify and address areas of concern
- Reach a decision regarding a salary and benefit increase
- Identify the next performance appraisal period
- Establish goals and actions plans for the next appraisal period

"It's a great satisfaction knowing that for a brief point in time you made a difference."

Irene Natividad,
Collaborations
Handbook

Why Is a Performance Appraisal Important?

Performance management of the executive director can seem to be an overwhelming task for boards that lack a human resources specialist. If your board is one of the many that have never given a performance appraisal of the executive director, you may wonder why it is needed. You may tell yourself that the executive director is a professional, and is therefore doing a fine job. You may not be completely sure what the executive director does, apart from attending board meetings. And, to add to this uncertainty, you may not feel confident that you have the skills and experience to provide a performance appraisal.

One of the key responsibilities of a board of directors is to provide the executive director with a thorough performance appraisal on a regular basis. The performance appraisal process is part of performance management, which is one of the board's governance roles. The performance appraisal of the executive director is an opportunity for a process that allows the board and the executive director to improve communication and productivity in the organization.

The Performance Appraisal Process

If you have recently hired a new executive director, you will need to assess his/her work at the end of the probationary period. This assessment is the first performance appraisal that you will do with the new executive director, and it will be the beginning of an ongoing process.

Benefits of a Performance Appraisal

Performance appraisals have a proven record of effectiveness in keeping an organization on track. A board that provides the executive director with regular, thoughtful, and well-documented performance appraisals can expect many benefits, including:

- A better understanding of the work of the executive director and the organization
- Clarity on the progress of the organization towards its mission
- More effective responses to changes in funding, community needs, and strategic direction
- Better communication between the board and the executive director
- Identification of opportunities, challenges, and areas of concern that can be addressed before problems arise
- Agreement on specific priorities and goals for each appraisal period
- Improved performance of the executive director

What Do Executive Directors Say?

“Yes. I want a performance appraisal,” is what most executive directors respond when asked. Executive directors need to have their boards give them constructive feedback and guidance on their performance. An executive director wants an opportunity to focus on what it is that s/he is doing, and how s/he is doing it. This is the board’s role; staff cannot provide this feedback to the executive director.

The Performance Appraisal Process

Where Do You Start?

It is important to provide a performance appraisal on a regular basis. Regardless of how much time may have passed without a performance appraisal, you can start immediately by sitting down with the executive director to plan the process. Any awkwardness that you feel will soon go away as you plan the process together. If it has been over two years since the last performance appraisal, make sure that both the staff and the executive director know that this is a planned and constructive process, rather than an attack on the executive director.

A long delay between appraisals may be a sign that there is a problem with the executive director's performance on which the board is unwilling to take action.

If you are doing a performance appraisal that is directed at releasing the executive director, obtain legal advice on the correct supervisory process to follow. This can help to reduce the chance of a costly wrongful dismissal suit.

Assess the Working Relationship between the Board and Executive Director

A good starting point for the performance appraisal process is to assess the current effectiveness of the working relationship between the board and the executive director. To do this, both board members and the executive director answer the questions on the following page.

The examples that you use are the important part of this exercise. Examples indicate the state of the working relationship, and can provide solid ground on which to build for improvement. Answer these questions again in a year's time to see how the relationship has progressed.

"Conflict is working through a difference of opinion. Fighting is the avoidance of conflict."

Leonard Hirsch,
Collaborations
Handbook

The Performance Appraisal Process

Yes <input type="checkbox"/>	No <input type="checkbox"/>	1. Board and executive director can give examples of two-way communication. Examples: _____ _____
Yes <input type="checkbox"/>	No <input type="checkbox"/>	2. Board and executive director can give examples of working together, with everyone participating actively in the process. Examples: _____ _____
Yes <input type="checkbox"/>	No <input type="checkbox"/>	3. Board and executive director can give examples of a variety of decision-making techniques and procedures that fit specific situations. Examples: _____ _____
Yes <input type="checkbox"/>	No <input type="checkbox"/>	4. Board and executive director can give examples of conflict and controversy being used as forces for positive changes. Examples: _____ _____
Yes <input type="checkbox"/>	No <input type="checkbox"/>	5. Board and executive director can give examples of establishing goals in a cooperative manner, taking into account both individuals' goals and the organization's goals. Examples: _____ _____
Yes <input type="checkbox"/>	No <input type="checkbox"/>	6. Board and executive director can give examples of ways in which everyone is able to influence the decision-making process. Examples: _____ _____

The Performance Appraisal Process

The Steps to the Performance Appraisal Process

There are a number of parts that make up the process of appraising the executive director. The board assigns the authority to a committee to lead the process. The executive director prepares his/her portion of the reporting. The committee coordinates the information from the external feedback sources. Working with the executive director, the committee sets the schedule for the appraisal meeting, the salary meeting, and the future planning meeting. Finally, the committee evaluates its own performance, with a view to future improvement on their part of the process.

This step-by-step guide will help you to organize your performance appraisal process. Consider each step, and tailor the information to work for your organization. In Part IV, the words *you* and *committee* mean *the performance appraisal committee*.



Go To

Part I: The Organization's Foundations

Step 1: Is Your House In Order?

The first step in this process is making sure that the organizational house is in order. You will need the information in the strategic plan to do the performance appraisal. If the strategic plan has changed, that may mean changes to the key responsibilities for the next appraisal period.



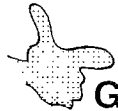
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Part II: The Executive Director's Mandate

Step 2: Review the Executive Director's Mandate

If you have recently hired an executive director, then it is likely that the job description is up-to-date, and reflects the key responsibilities of the executive director during the appraisal period. The key responsibilities are based both on the strategic plan and on what the executive director does to manage the organization.

The Performance Appraisal Process



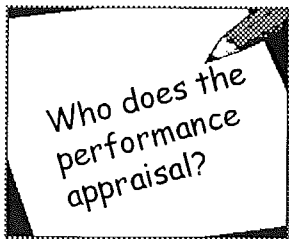
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Appendix Item #3
for a sample
*Executive Director
Job Description*, with
key responsibility
areas

The key areas listed in the job description, as well as the executive director's regular board reports, form the basis of the information that the board has about the organization. These reports also form the basis of the information that is needed for a performance appraisal. In addition, the executive director prepares an annual report that emphasizes the link between the program and services goals and activities within the organization's strategic plan.

Step 3: Assign Responsibility for the Performance Appraisal Process

The Performance Appraisal Committee



Who does the
performance
appraisal?

The board appoints a performance appraisal committee, and gives authority to the committee to conduct the performance appraisal. As well, the board decides whether this is a standing committee with ongoing work, or an *ad hoc* committee that is appointed for a specific performance appraisal period. The performance appraisal committee may be unnecessary if there is another committee with this personnel responsibility.

Often, the appraisal committee is made up of the board chairperson and other members of the executive committee. It is important that the membership on the committee represents a broad selection of the board members, without getting too big to be efficient.

Although the committee is in charge of the appraisal, other board members may wish to provide feedback on the executive director's performance. The committee may invite board members to provide their signed comments, in confidence, for inclusion in the final report.

The Performance Appraisal Process

Committee and Assigned Authority

The board clearly states the role, responsibilities, and the final reporting time frame of the performance appraisal committee. The board decides whether or not the committee shall have the authority to approve a salary and/or benefit increase to the executive director. The board makes sure that the committee understands the confidentiality of its work, and that the report to the board reflects that understanding.

Role of the Executive Director

The executive director works with the appraisal committee to plan the appraisal process. S/he provides the committee with the annual report, which is based on the executive director's monthly reports to the board. If s/he has examples of external feedback, s/he gives the committee this information, as well a list of external feedback contacts in the community.

Role of Staff

The role of staff in the appraisal of the executive director is a sensitive issue. When staff are in the position to appraise the performance of their supervisor, the result can be role confusion. The information that staff bring to the appraisal may lack the needed objectivity, and may not serve the broadest interests of the organization.

One of the executive director's key responsibilities is personnel management, so the appraisal committee needs to find a way to assess the executive director's supervisory abilities. The committee needs to discuss this issue, and to find an appropriate way to get information on the working relationships between the executive director and the staff.

The Performance Appraisal Process

Step 4: Gather Documentation

The information that the committee needs to gather for the performance appraisal of the executive director includes:

- The organization's current strategic plan
- The executive director's job description
- The executive director's regular reports to the board during the appraisal period
- The executive director's annual report to the board
- The executive director's annual goals, with action plans
- Examples of external feedback

The executive director provides the committee with the necessary documents and reports, including a list of contact people that the committee can interview to gather external feedback on aspects of the executive director's work.

If there has been a significant break between appraisals, the committee and the executive director will need to establish a mutually-agreeable starting point for the appraisal. Board leadership may be necessary to move this process forward. For example, you might ask the longest-serving board member to be the historian who sets the starting point for the appraisal process.

The Executive Director's Regular Board Reports

Depending on the needs of the organization, the executive director's report to the board is either monthly or quarterly. The regular board report provides information on the activities and issues outlined in the key responsibilities of the job description. In the report, the executive director describes activities and issues so that the board can understand what the outcomes have or have not been, in terms that are specific, measurable, and relevant.

The Performance Appraisal Process

The Executive Director's Annual Report

There are three parts to the executive director's annual report:

- The first part is a summary of the regular board reports, with an emphasis on identifying the overall trends, outcomes, and areas of challenges of the previous year.
- The second part is a summary of the organization's movement on the strategic plan of action.
- The third part is a list of the future considerations that will shape the action plans for the coming year.

When there is good communication and regular reporting in the organization, the first and second parts of the annual report should hold no surprises. The third part of the report may raise emerging issues that the board will need to address.

The Executive Director's Annual Goals, with Action Plans

The executive director prepares his/her annual goals, with action plans, and reviews these with the board. The annual goals are based on both the strategic plan and the day-to-day management of the organization. During the performance appraisal, the committee reviews the annual goals that the executive director has reported in the regular board reports and the annual report.

Each action plan needs to show specifically what will be undertaken, and the anticipated outcomes. The outcomes of the action plans are related to the strategic plan, and move the organization towards the vision. These outcomes need to be attainable, given the other organizational responsibilities held by the executive director. Each outcome is written in concrete and measurable terms, with time lines included.

The Performance Appraisal Process

Example of Goal with Action Plan

Goal: To work in partnership with geographic communities, and communities of interest, to both build and maintain a high quality of life in Alberta

Goal will be met by: Providing resources and leadership to community service organizations, to assist them in the delivery of their programs and services

Desired outcome: That Albertan volunteers and boards have access to comprehensive leadership and governance development opportunities

Measured by: The number of organizations directly assisted, and the number of volunteers who benefit from the assistance

Action plan: Continue to develop and promote partnerships with key players in the not-for-profit, public, and private sectors, focusing on leadership development and governance skills

External Feedback

How do outsiders view the performance of your executive director? In order to assess the executive director's networking and community relations performance, you need to know this. The search committee asks the executive director to provide a list of outside people who can give feedback on the executive director's networking and community relations activities. People on the list should be qualified to comment fairly, without personal bias. This is a good way to collect vital and important information that may otherwise be overlooked.

The committee interviews these contact people, prepares a report on this information, and presents it during the appraisal meeting. As a professional courtesy, let the executive director know what questions you will be asking. When you contact the outside person, advise them that the executive director provided you with their name. When you summarize the outside person's comments, let him/her read them before you share them with the executive director.

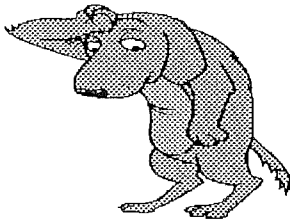
*Evaluation is
by feedback,
not by autopsy.*

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Another way to gather external feedback is to ask the executive director to collect information such as newspaper clippings, letters to the organization, comments from speaking engagements, and comments from community telephone calls. S/he can do this throughout the appraisal period, and provide copies to the committee.

No Goals Set with the Executive Director?



In some organizations, the executive director works without having any specific goals set. To ease into a performance appraisal, set a meeting to discuss what the board and executive director agree to be the goals and outcomes for the appraisal period. Through discussion, you establish a number of points of agreement as the departure points for the upcoming appraisal. In six months' time, you will then have a basis on which you can conduct the performance appraisal. The idea is to get started as soon as possible, and to work towards developing an ongoing process of regular appraisals.

Step 5: Set Meeting Dates and Agendas

The appraisal committee, in cooperation with the executive director, sets a schedule of meetings and related activities that result in a report to the board. Remember to schedule the performance appraisal meetings to avoid the busiest work periods of the executive director.

The committee coordinates the meeting dates and agendas for:

- The performance appraisal meeting
- The salary review meeting
- The future planning meeting to determine the executive director's goals and action plans for the next appraisal period

Allow sufficient time after the performance appraisal meeting to prepare the summary report for the board, as well as to prepare information for the following two meetings.

The Performance Appraisal Process

The Performance Appraisal Meeting

The appraisal meeting need last no longer than one hour. The underlying philosophy of a performance appraisal is to be honest. Review the goals and action plans with an eye to recognizing the executive director's efforts, as well as to identifying the challenges that s/he did not meet. While you want to avoid reviewing every detail, you also want to cover each of the key areas in the job description. Review the external feedback report. Discuss the kudos and the challenges that the information presents only as issues to be considered. Together, the committee and the executive director develop strategies to address any concerns.

"Pay attention to the questions you need to ask, not the answers you want to hear."

Leonard Hirsch,
Collaborations
Handbook

Set the Right Atmosphere

Select a location for the meeting that is private, relaxed, and comfortable. You do not want the executive director to be distracted by the day-to-day obligations of his/her position. Avoid holding the appraisal meeting over a meal.

Give the executive director your full attention, and maintain a professional atmosphere by keeping the overall focus on the performance of the executive director, rather than on his/her personality traits. Set up open and safe communication. Ask yourself:

- Do you expect the executive director to be all things to all people?
- Can your executive director be frank when discussing the expectations of the job?
- Can your executive director feel safe in appraising his/her own performance?

The Performance Appraisal Process

Handling the Unmet Challenge

The committee has a number of ways to consider, and deal with, unmet challenges:

- The goal or expectation was unrealistic, given all the other actions that the executive director needed to accomplish. In this instance, you can move the goal to the next appraisal period, or even drop it altogether.
- The expectations and outcomes of the goal are not clearly indicated. If you carry this goal over to the next appraisal period, you may need to clarify what is expected.
- The executive director may not have the time resources available to be able to complete the goal. If it is sufficiently important, you need to identify how the executive director will get the help that s/he needs to accomplish the goal.
- The executive director may lack the education and training required to accomplish the goal. The committee and the executive director can identify this training or educational need as part of the goals and action plans for the next appraisal period.

When addressing an unmet challenge, it is important for both the committee and the executive director to understand how the challenge is to be met, as well as how this will be reviewed. Follow-up on unmet challenges is a critical task in the performance management of the executive director.

Summary Report of the Performance Appraisal

The committee prepares a summary report of the performance appraisal to present to the board. Organizations may use different formats for this, but the most important point is that two people reading the report would reach the same conclusion.

This report includes:

- Information on the accomplishments, as well as the unmet challenges

The Performance Appraisal Process



Go To

Appendix Item #8
for a sample
*Appraisal Reporting
Form*

- Strategies resulting from the external feedback
- An indication of challenges that are brought forward to the next appraisal period
- A description of any short-term follow-up with the executive director, with dates for the follow-up
- Identification of any professional development needs

The executive director signs the report, indicating that s/he has read and understood the contents. The committee members also sign the report. The committee files the report in the executive director's personnel file, and prepares a brief synopsis for the board's information.

The Salary Meeting

Separating the salary and appraisal meetings can work to the advantage of the executive director, as well as to the board. An executive director may have a glowing performance appraisal, but not receive a salary increase, due to the organization's financial situation. By keeping these meetings separate and distinct, the benefits of positive feedback to the executive director for the performance appraisal will not be diluted by the bad news of no increase in salary.

Prior to this meeting, the committee researches the current salary and benefits range for an executive director in comparable organizations. Be careful to avoid the situation in which the entire board participates in the salary review, with the executive director present. This discussion works better in a committee setting. The board may reserve the right to have final approval on any changes to the salary or benefits.

The committee negotiates with the executive director on whether or not there will be a salary increase. If there is to be an increase, the committee and the executive director agree on what it will be. There may be a section in the organization's personnel policy that provides the committee with direction on this issue. The increase may be an increase in salary, an increase in benefits such as holidays, or a combination of both.

The Performance Appraisal Process

If no increase is financially possible, then the committee needs to consider alternative ways to recognize the executive director's work. For example, one way to increase his/her salary without paying more money is to reduce the number of work days per month. As long as the executive director is agreeable to this adjustment, this is a positive way to recognize his/her hard work.

The committee may decide that the executive director's performance does not warrant an increase in salary. This finding has serious implications for the organization. The board may need to move into a supervisory process with the executive director, until either s/he meets the expected standard, or s/he is released from the position. **Always seek legal advice regarding the supervisory process to reduce the risk of a wrongful dismissal suit.**

The Future Planning Meeting

The committee and the executive director meet to determine the goals and action plans for the next appraisal period. The information developed in the future planning meeting will provide important information for the next regular performance appraisal.

Together, the committee and the executive director:

- Establish the timing for the next appraisal period
- Bring forward unmet goals from the previous appraisal period
- Develop new goals and action plans to meet emerging needs
- Write action plans in terms that are specific, measurable, attainable, relevant, and time-oriented
- Identify the educational and training needs that the executive director will need to carry out her/his current and/or emerging duties more effectively, and develop strategies to meet these needs

The Performance Appraisal Process

Step 6: Carry Out the Performance Appraisal Process

Based on the information in Step 5, the committee holds three meetings with the executive director to carry out the performance appraisal process, and prepares a final report for the board.

Hold a Dress Rehearsal of the Appraisal

A Canadian board chairperson says that the uncertainty that administrators often experience before an evaluation breeds tension that can lead to an unproductive meeting. That's why he came up with this idea.

Instead of a single performance review, he conducts a two-part evaluation that gives the executive director lots of room for input.

"To avoid any conflict over the contents of the final evaluation, I meet with the administrator to discuss a *rough draft* of his evaluation," he says. "We do this on our regular evaluation form, only we write in pencil.

"This is the dress rehearsal for the real thing. It's also the executive director's opportunity to react and comment on my penciled-in assessment. I encourage him to tell me if there's something I've overlooked or if there's some language he objects to. If there is, we work together to resolve the disputed points.

"After this meeting, I make the changes to the form we agreed on. This approach tells the administrator that I listen to his concerns, and he's satisfied that evaluations are fair."

Gillis, John, ed. **Evaluating the Nonprofit CEO – A Guide for Chief Executives and Board Members**. Akron, Ohio: Aspen Publishers, Inc., 1996.

The Performance Appraisal Process



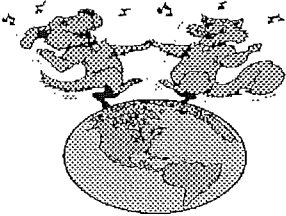
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Appendix Item #9
for a sample *Appraisal
Policy*



Go To

Appendix Item #10
for a *Performance
Appraisal Checklist*



Step 7: Conduct a Committee Self-Evaluation

After the final report is completed, the committee members ask themselves three questions about their own performance in the performance appraisal process:

- What worked well?
- What needs more work for the next performance appraisal?
- Are there any recommendations for changes in policy?

If your organization has no policy on performance appraisal of the executive director, the committee can draft one as a part of its self-assessment.

Summary

The Board is responsible for managing the performance of the executive director through an ongoing performance appraisal process. A regular, thoughtful, and supportive performance appraisal forms the basis of positive board and staff relations. Even if much time has passed since the last performance appraisal, it is important to get started right away. The first time through the process, there may be a fair amount of work to do, but the next time will be much easier. The benefits will show up immediately, with a renewed energy from the executive director, and a greater understanding of the work of the organization towards the mission.