



Assessing and Rewarding CEO Performance

Mark Lynch
Co-Founder

cu.difference

What we will cover and why me?

- ✓ Why we should assess CEO performance
- ✓ What should the assessment be based upon
- ✓ How and when it should be done
- ✓ Who should be involved in the assessment
- ✓ Linking CEO assessment to reward
- ✓ The benefits of CEO assessment
- ✓ The Pitfalls

Why should we assess the CEO?

- How will you know if you have selected the right CEO unless you assess?
- How can you know if the CEO is performing to your expectations if you have no assessment system?
- How can you properly and fairly address CEO performance problems if you don't assess?

Why should we assess?

- How can you fairly review the CEO's remuneration unless you properly assess?
- If you need to terminate the employment contract of the CEO for poor performance, a fair and proper performance assessment process is essential.
- If you expect your CEO to assess the performance of the staff, why wouldn't you do the same for the CEO?

Why should we assess?

- It is a key risk management issue
- It is a key aspect of good board governance
- It is a characteristic of highly successful credit unions

What should the assessment be based on?

- What you were looking for when you hired your CEO
- The CEO's position description
- The behaviors you expect
- The achievement of the strategic goals
- The willingness of the CEO to develop and grow

A good assessment process will assess what was done, how it was done and what was the impact!

The assessment criteria should be:

- developed jointly and mutually agreed upon by the board and the CEO
- consistent with, not conflict with the CEO's contract and position description
- clear and concise – no gray areas!
- continually reviewed by the CEO and the Board to ensure it is always up to date and relevant

Make sure your expectations of the CEO are clear to the CEO and the board!

This is not just about what the board expects
from the CEO!

It is also about what the CEO can expect from
the Board!

What should a CEO expect from the board?

- Understanding and respect for the role of the CEO
- Support and trust
- Motivated and willing to also grow through education
- A willingness to support innovation

What should a CEO expect from the board?

- Takes initiative rather than needing to be prodded to act
- Comes to meetings prepared
- Makes decisive and timely decisions

What should a CEO expect from the board?

- Provides the resources needed to get the job done
- Sets clear policies and reviews them regularly
- Fully involves management in planning and goal setting

What should a CEO expect from the board?

- Is available when necessary
- Gives recognition when appropriate
- Takes an interest in who does what and why at the credit union

What should a CEO expect from the board?

- Does not interfere directly with staff
- Listens to and communicates fully with the CEO
- Avoids conflicts of interest and seeking special favors

How should we assess the CEO?

Getting started

- Use the agreed criteria as the basis of what you assess
- Jointly agree on how the criteria will be used
- Decide who will have input and how information will be collected
- Decide how the assessment process will be managed
- Decide whether to get professional assistance

How to assess against the criteria

- Be objective
- Be constructive and positive
- Concentrate on whether expectations were achieved
- Consider how they were achieved
- Assess what factors beyond the CEO's control contributed to the results
– good and bad!

Who might have input

- Board
- Management team
- Staff
- Vendors/Suppliers
- Members

How might they have input

- Surveys
- Interviews
- Focus groups
- Feedback opportunities
- Build into existing processes or do it for a range of other reasons and benefits

So, we've done the assessment....

What now?

Giving feedback

- Collate the results of all the input
- Convey the results of the assessment to the CEO
- Make it positive and constructive

Giving feedback

- Identify areas for improvement
- Link the feedback to an education and development program
- Give appropriate recognition

But what if there is a performance problem?

Performance Management

- Identify the issue/s clearly and concisely
- Document them
- Agree on a plan to address the issues
- Agree on a time frame

Performance Management

- Provide resources and support
- Review again when you agreed to do so
- Document every step in the process
- Get help if you need it

So... when should we do this?

When?

- A comprehensive assessment should be done annually
- Link the timing to the annual strategic planning, annual reporting and remuneration review processes
- What is in the existing CEO contract?
- Think about this aspect when you draw up your next contract

Sound simple?

What are the pitfalls?

The pitfalls

- Do it on time
- No verbal evaluations – Document!!!
- Don't do it half-hearted
- Ensure the board has the skills
- Be clear and concise - no gray areas

Performance Management Pitfalls

- Be positive and constructive at all times
- Don't dwell on the negatives
- Avoid getting stuck on the latest “hot issue”
- Don't make it too cumbersome or complicated
- Be aware that remuneration usually drives behaviors

Remuneration Pitfalls

- Think long and hard about how you link remuneration to performance assessment
- Be clear and concise up front with what level of reward will attach to what level of performance
- Consider how remuneration will be paid - salary increase, bonus or retirement incentive

Remuneration Pitfalls

- Consider short term, medium term and long term goals and incentives
- Make sure the CEO and the board clearly understand what level of performance will result in what level of reward
- A good assessment process could be ruined by a poor remuneration process

Key points to remember!

- Establish clear objectives for CEO
- Give the CEO respect, support, encouragement and the resources needed
- Conduct the assessment objectively, fairly and timely
- Give the appropriate reward and recognition

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mark@cudifference.com | 906.259.0450

cu.difference