The CEO and the Board

It's universally recognised that strategic success is greatly influenced by the CEO's performance. So all boards know that one of their primary functions is to make sure they have the right CEO in place. And of course it's equally true that the effectiveness of the Board is highly dependent on the way it works with the CEO.

But what we don't see consistently (or indeed very often at all) is a structured approach to evaluating the CEO's performance and making sure there is a sound succession plan in place. So, with the year end approaching for many, here are a few points to bear in mind.

Good practices to consider...	Things to avoid...
Think through the evaluation criteria, especially any that don't feature in the incentive plans. The remuneration policy measures will capture some aspects of performance, but there might be others that are desirable and it's a good idea to have an explicit discussion about these.	Just assuming that the Remuneration Committee's assessment of performance against the individual's policy-based targets is enough. It might be, but often these targets are focused on financial outcomes and it's quite possible that the Board might want to set some other objectives, such as strategic targets around products and markets, or management goals such as strengthening the team, that aren't suitable for locking into the remuneration policy.
Make sure there is an opportunity for the non-executives to have a private session to discuss the CEO's performance so that the Board as a whole (or at least the non-exec part) specifically confirms that all is well or concerns can be aired.	Not getting to consider performance because the CEO's always in the room…so it gets left to the Chairman without there having been a structured discussion. Piecemeal feedback to the Chairman over coffee is better than nothing but hardly constitutes a structured assessment against objectives.
Work out who is going to do the CEO's evaluation and how – and make a clear decision. That will depend on the evaluation criteria and who is best placed to make the assessment but it's unlikely to be the Remuneration Committee or Chairman alone.	Letting it fall by default to the Chairman. Yes, he/she may well need to take the lead alongside the Rem Com. But whatever the assessment criteria are, a board-wide discussion will provide a lot more insight and some of the other directors are likely to have firm opinions.
Document the assessment in the same way you would for any other member of staff – and make sure there's enough time for a two-way discussion with both parties understanding each other's points.	Leaving it too informal – or in some cases so informal that it's not actually clear it's happened. There are good reasons for structure and formality, and not just for legal purposes: a degree of formality helps make sure it happens and reduces the risk of misunderstandings. Just as with everybody else.

Good practices to consider...	Things to avoid...
Feed back the outcome of the discussion to the full non-executive group.	Letting a good discussion on performance draft away into a process which isn't discussed again until next time round.
Use the evaluation process to ask some (possibly uncomfortable) questions that a board needs to consider: Do we have the right person for the job – for now and for the future? Is the CEO's attitude and behaviour what we need – or introducing any risks?	Missing the opportunity to have a CEO-specific discussion. All boards know that the CEO is key but not all actually discuss as a non-executive group how the fit, character and attitude are in line with what's expected and needed. And then give feedback.
Assess how far the CEO is a good manager. Is it possible to see how far the executive team is being managed the right way? The best CEOs grow strong teams which makes succession and contingency planning much more straightforward.	Giving too much weight to the CEO's strategic focus and drive, without thinking about how far he or she is bringing along the team and controlling the business as an effective manager. In the absence of mitigating circumstances, a weak executive team with no plausible internal successors is a common indicator of an over-dominant CEO.
Take the opportunity to consider succession. Succession has to be considered in the context of evaluation of performance and fit. And the future need might not just be a function of current and past performance – what's needed in future might be different from what's worked up until now.	Seeing succession simply as a question of what to do when the CEO decides to move on. And then leaving it until that happens. As strategy and performance evolve, the needs can change. The Board needs to take a long-term perspective and plan accordingly and not be put off by concerns that the CEO might be offended if the Board discusses succession – a strong and confident CEO will not just recognise the Board's duty to look ahead, but see it as his duty to grow a team that can manage without him or her.
Similarly take the opportunity to make sure the contingency plan is sound. If the CEO isn't around all of a sudden, what are the strengths that will be missed? It might well be possible to fill the operational gap fairly easily, at least on a temporary basis. But the leadership and communication skills might be harder to cover – and the Board may need to step up to make sure that not too many beats are skipped.	Just assuming that it will all fall into place if and when it happens. It might, but it's not a good idea to wait for a crisis to find out. The sensible approach is to have the CEO's evaluation is a good moment to check it's clear and to confirm the strengths and capabilities that the "substitutes" will need to aim to deliver.

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