SPÓRT ÉIREANN
SPORT IRELAND

Governance Code for Sport

CEO Appraisal

Guidance Note

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For the avoidance of doubt, the final decision on the nature, type, extent and format of approved governance policies, procedures and processes for each organisation is a matter for the board / highest governing structure of the organisation and the resources and material provided may assist the approval process.

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Introduction

Principle 1 of the Governance Code for Sport, leading our organisation, sets out a range of obligations for those in governance and leadership positions in relation to strategy, planning and accountability for performance. The role of the board is to set the tone, provide leadership and direction, agree on the strategy and implement effective oversight and implementation of the priorities and objectives, ensuring a good control environment as part of the internal control system and embed and sustain an effective risk management system which ensures the threats and exposures are assessed and addressed, and the opportunities are exploited.

The role of the CEO and executive is to support the implementation of strategic priorities and objectives and, as part of the holding to account process, to regularly provide performance reports and details of achievements and overall progress. This allows the board to carry out a key role of monitoring and evaluation.

The code also emphasises the need to establish formal arrangements for the supervision and development of the CEO, incorporating a yearly or twice-yearly appraisal. This process should also include setting and agreeing performance expectations and the reporting to the board. The code also emphasises the importance of a schedule of matters reserved for the board, and this provides clarity on the level and extent of delegations that operate and specifically the level of authority of the CEO for the effective functioning of the organisation both operationally and strategically.

In acknowledging that the contract of employment and related terms and conditions will have within it specific areas relating to performance appraisal, the purpose of this discussion paper is to provide some additional information and explanations on the importance of instituting an effective and appropriate performance management system for the CEO.

Benefits

The board in delivering on its leadership, direction and control role, will entrust key responsibilities to the CEO within the guidelines, direction and instructions agreed by the board. The schedule of matters and other governance policy and protocols help distinguish the various responsibilities and actions of the board, committees and the CEO, as lead senior executive.

The benefits of the CEO performance management system include:

- Providing clarity on roles and responsibilities and performance expectations
- Aligning the strategic direction and cultural tone set by the board with the CEO's performance obligations
- Assure the board that legal, regulatory and governance obligations are being delivered
- Foster professional and effective working relationships and collaboration between the board, board members and the CEO and the wider executive.
- Emphasise the nature and extent of the holding to account arrangements linked to performance and delivery
- Identify potential gaps and support the personal and professional development of the CEO
- Provide an early warning system for possible issues or problems that may be occurring and allow for remedial action to be put in place.

The process also facilitates decisions on the overall remuneration package and acts as a basis for dialogue on any revisions to the package.

Given the centrality of the CEO and executives in delivering on the strategy and priorities, It is a core responsibility of the board to ensure that there is a performance management system in place to track, monitor and oversee delivery and achievements at an organisation level and similarly that there is a performance management process and appraisal system in place for the CEO where expectations and accomplishments are routinely considered.

The need to establish and agree on expectations is crucial to the appraisal process. A range of narratives can be used which seek to outline delivery obligations or envisaged accomplishments and these can include key results areas (KRAs) or key performance areas (KPAs).The KRAs or KPAs can be agreed to cover areas such as; leadership and management; working with the board; strategy; financial performance; human resource management; media relations; communications as well as personal attributes and qualities.

Principles

In the performance management and appraisal process for the CEO, there are some key principles that need to underpin the process, and these build on the points made earlier. The key principles include the following:

- Align CEO performance with the objectives of the organisation;
- Be tailored to the specific needs of the organisation;
- Be based on clear performance expectations developed and agreed in advance;
- Be conducted in a manner conducive to on-going good governance;
- Be part of the on-going and constructive feedback to the CEO on achievement and areas for improvement;
- Comply with relevant standards for accountability and communication of the results for the organisation.

Conducting the assessment

There are alternative arrangements that can be used to conduct the assessment. This can range from the Chairperson, a small group of directors or board members or as part of the jurisdiction of a committee or working group of the board.

As part of the process, it would be expected that board members or directors views and perspectives on the CEO performance would be sought, and this should ensure that there is no excessive influence on the process by the Chair or another individual member. If the process operates through a committee, the committee can reflect on the views and perspectives and synthesise findings before formal discussion at a board meeting. This process reduces the potential for bias and allows for all members to have input.

Depending on the scale of CEO assessments, some boards may use external consultants with expertise in this field. In this situation, the consultant will gather confidential data, which may incorporate questionnaires and engagement in bilateral-member interviews relating to the CEO's performance.

Since the CEO reports to the board as a whole, we recommend that all directors should be involved, at least in agreeing on the complete process and a full board discussion of the evaluation prior to communicating the results to the CEO.

Appraisal Form

An appraisal form, focusing on the key results areas (KRAs) or key performance areas (KPAs), can be developed and used to structure the process and facilitate the performance dialogue.

It can also be supplemented with some documentation and material which evidences and tracks the achievements.

A grading or scale could be used, if considered appropriate, to indicate the level of performance achieved by the Chief Executive Officer (CEO) during the time period under review as follows

Excellent: Performance is clearly outstanding and far exceeds standards or expectations on an on-going basis.

Good: Performance generally meets or exceeds standards or expectations on an on-going basis.

Satisfactory: Performance is adequate, and the CEO is developing in the role.

Needs Improvement: The CEO has failed to meet one or two expected standard(s) of performance.

Unacceptable: CEO performance fails to meet the standards required for the role.

No Basis for Evaluation: The activity or skill being evaluated has not been observed. No other evidence exists upon which to make a performance judgement.

Conclusion

In summary, an effective CEO evaluation process is one where performance expectations for the CEO are aligned with the strategy of the organisation. This is more likely to occur if the CEO evaluation process is integrated with the board's strategic planning cycle. It is easier to establish meaningful goals for the CEO's performance when they are considered in the context of goals set for overall corporate performance.