

boardinsight:

Preparing for a board evaluation

I thought it would be interesting to consider some points from my experience that you might need to focus on **before starting** a board evaluation – these are to **help ensure a good outcome** and to get the best from the resource you commit to the evaluation.

First - ask yourselves why are you proposing to do an evaluation?

- If it is to tick a box so that you can conform to current governance best practice - beware, you may not have full engagement and therefore get a poor outcome
- If it is to address a particular thorny issue - be careful that you are not close minded to other issues
- I suggest you also need to **agree that the outcome is an action plan to improve efficiency** - dispel any ideas that the review might be a witch hunt to get rid of under performing directors or to attack a particular difficult issue (although of course that could well be one of the outcomes).

Then - get agreement - once you've decided why you are doing the evaluation you need to agree that you want to go ahead - Ideally everybody should agree to go ahead - at least the chairman and NEDs should be engaged and on board with the process.

You also need to make sure that you have a **proportionate approach** so that what you're going to do represents a good use of time and money for your particular circumstances.

Scope and agree the **time commitment** needed for the evaluation - specifically how much time you expect each director to give to it - get that agreed as a fundamental success factor.

Along with this you need to **have a realistic timeframe** for the completion of the whole review so that it's not open-ended and so that directors focus their minds on being available and engaged for the review within the time that you've agreed.

Confidentiality of the review will be key to its success - you need to have agreement on how this is going to work before you start

- If you are using questionnaires for example, are the responses attributable and who will see them?
- If you're going to use discussions rather than questionnaires how confidential will these be? Will the comments made in the discussion - perhaps with an external provider - be attributable? No director is going to speak frankly and openly if he or she feels that all the comments made are going to be reported back to the chairman

How are you going to carry out the review? – questionnaire, discussion, workshop etc...

Generally, one-to-one discussions will get a more meaningful result than a questionnaire – we all know one size doesn't fit all!

Whether by questionnaire or discussion, it is a good idea to have scope for the director to feed back comments direct to the chairman or the SID.

If by **questionnaire** - beware of questions which have responses indicated in the range of scores of 1 to 5 because you often get a lot of 3s. Some open-ended questions will help.

Questionnaires should also allow for comments so that directors can write in some text on their views on particular issues and not be circumscribed by simply having to tick a box.

Should your review be internal or external or a mix of these?

It's probably a good idea to **vary the method** you use (and indeed the provider that you work with where you do go external) - because each approach will come at the situation from a slightly different perspective - and the variety and scope of outcomes that you get will be wider.

If you're having an **internal** review beware of avoiding tough subjects and issues - and also of considering the same issues every year - for example the company that uses the same questionnaire every year internally is surely not going to get the best outcome year-on-year.

If you're going to use an external provider ask yourself why you are doing this

Surely the only answer can be that you think that this will **add value** in some way - you need to check with the proposed adviser that this is a likely outcome:

Examples of adding value might be:

- will they provide **external expertise and experience** which can be directly useful to you as an organisation? - to assess this you might like to ask for specific examples of how the external provider has helped other boards to work more effectively
- Is the adviser likely to be adept and **sensitive about teasing out issues** that it may be difficult to raise among the internal team - so that you're likely to get a more frank and in-depth evaluation with external participation?
- will there be **perceived objectivity** by the use of the external provider?
- Is the external provider well placed to offer a **view on best practice and some assurance** – if applicable – that your way of working is effective?
- will they **save you time** (and money) by taking over the running of the process?

You might like to consider an approach which is a **mix of internal and external** - remember the proposed new governance code wording talked about evaluation being 'externally facilitated' at least every three years and there must be some scope for interpretation of this phrase.

Some examples of a **hybrid approach** might be -

- a company analyses the results of a questionnaire that the external facilitator provides them with
- or the other way round - the external provider analyses the responses to the questionnaire which the company has drawn up
- an external provider might facilitate a board discussion or workshop at which the responses to an internal review are discussed

How should you choose an **external provider**?

- make sure they are **independent** - so that they're not going to be trying to sell you a service that they've just recommended that you need
- make sure that their **approach is aligned with your culture and your needs**
- make sure that it is **practical** - agree the scope of the outcomes in advance - will it be a board presentation, report or a confidential briefing to the chairman - or perhaps all of those - and agree in advance how the external provider would approach these outcomes
- there should always be a presumption that the review will result in **specific recommendations** - you do need ideas to show you how you might be able to improve the way the board works going forward

To sum up, how you prepare for your board review can determine whether the time and money you spend on it is wasted - or whether it creates real value.

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