

KEEPING THE BOARD RELEVANT – THE GOOD, THE BAD AND THE UGLY IN BOARD EVALUATIONS



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HIGHLY EFFECTIVE BOARDS

..... ARE MADE
UP OF GOOD
AND
ACCOMPLISHED
BUSINESS
LEADERS.



BUT ...an effective Board
is not determined by how
impressive directors' CVs
are... dynamics are critical

A HIGH PERFORMING BOARD

- **Is composed of the right people**
 - Has the right mix of skills and experience
 - Made up of directors who are engaged and make meaningful contributions
- **Gets the right information at the right time**
 - Has formal induction and continuous skills development
 - Receives well written board papers
 - Receives updates between board meetings
- **Makes the best use of its time**
 - Only focus on the most important things
 - Focus on oversight rather than day to day management
 - Focus on sustainability
- **Has effective processes**
 - Has a corporate strategy
 - Has risk Management and internal controls processes that are effective
 - Has in place Succession planning for the CEO and senior Management staff.

Source: Beverly Behan

A HIGH PERFORMING BOARD



- **Has effective committees**
 - Effective Interface with Management
 - Effective leadership in the committee focusing on critical matters
- **Has effective leadership**
 - Draws out different perspectives
 - Keeps meetings focused on critical issues
- **Works effectively together as a team**
 - Respects different perspectives
 - Works to reach a consensus
 - Has positive energy
- **Works constructively with the CEO**
 - Provides constructive challenge
 - Motivates and rewards strong performance

Source: Beverly Behan

Board Evaluation



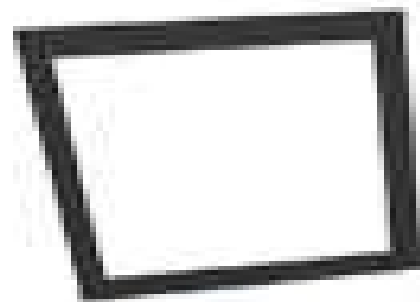
- Boards tend to be made up of people at the height of their professions who are not used to getting performance reviews.
- Anxiety, defensiveness and fear can get in the way
- Egoistic tendencies
- Fear of knowing what others think about them.
- Ownership hangover.

Definition

- “A strong, vibrant board of directors is a clear indicator of a healthy organization. Yet even the best organizations need a periodic check-up to ensure that they cannot just survive but will really thrive in today’s environment. To check your board’s vital signs, or to put in place practices and strategies for a healthy and energized board, the best place to start is with a board self-assessment.”

The Maine Association of Nonprofits

Evaluation



OUTSTANDING

Excellent

Very Good

Average

Below Average



EVALUATIONS

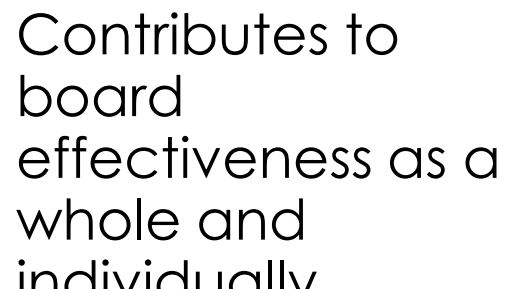
- Are central to corporate governance.
- Are a response to increased external scrutiny.
- Enable boards to purposefully identify and surmount the barriers that impede their effectiveness.
- Shareholders value detailed disclosure of the board evaluation process when making voting decisions about directors.
- A vital process for improving board performance and team dynamics.
- Has the potential to significantly enhance board effectiveness, maximize strengths and tackle weaknesses.

Why Evaluate

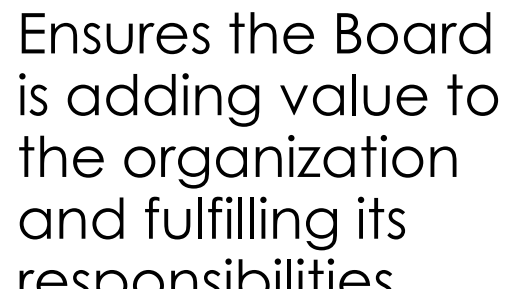


- Everyone else is evaluated!
- Stakeholders are demanding it!
- Clarifies individual and collective roles & responsibilities
- Encourages a healthy balance of power between Board and CEO (role clarity)
- Opportunity to reflect on changing needs of the institution
- Identifies the areas of board performance that are strongest and those that need improvement
- Identifies priority areas for the board to focus on over the next 1 or 2 years
- Allows different views to emerge

Board Evaluation



Contributes to board effectiveness as a whole and individually.



Ensures the Board is adding value to the organization and fulfilling its responsibilities.



sends a positive signal to the organization that board members are committed to doing their best.

EVALUATION

- Clarifies strategic focus & corporate goals
- Identifies skills development areas for directors.
- Improves decision making
- Improves sense of commitment & encourages individual participation
- Sharpens leadership behaviors
- Aligns boardroom behaviors
- Sets the performance culture of the organization

What it covers?



KEY CONSIDERATIONS FOR BOARD EVALUATION

Must be driven by the Board – “buy in”

There must be agreement on why the exercise

There must be agreement on the process

The Tool must be appropriate – no one size fits all

The Board must discuss the Results, own them and agree on next steps



Key considerations for Board Evaluation

- The Evaluation tool must be objective and fit for purpose.
- The Board must determine the scope of the evaluation.

- *The Board must decide whether to conduct the evaluation in house or externally.*
- *A good evaluation report contains recommendations*
- The Board must develop an action plan arising from the Evaluation.



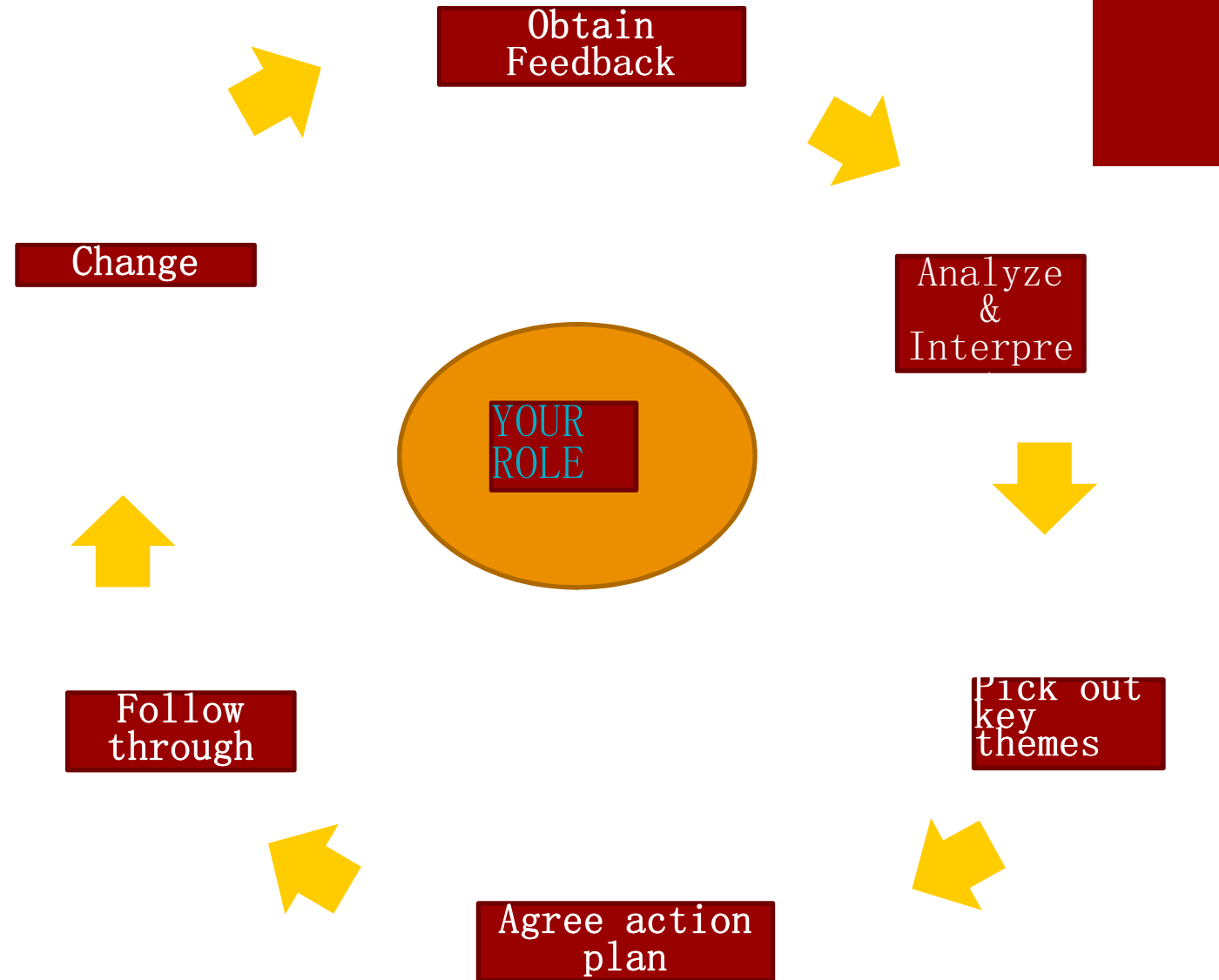
Mode of presentation of results is critical as it determines acceptance or rejection.

The Process



What do you do with the feedback

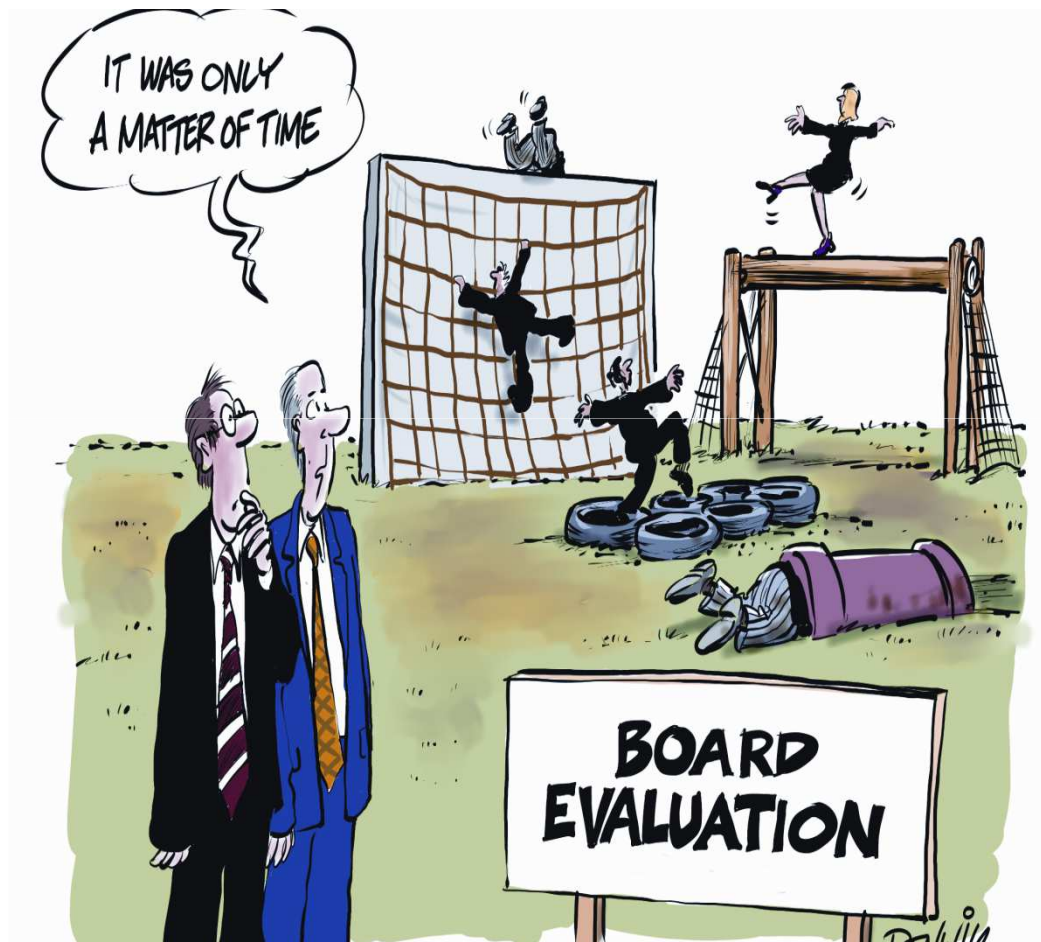
An effective and well-governed board is willing to proactively consider the findings of the evaluation, holding open discussion of the findings, identifying issues for improvement and implement the same.



THE BAD & UGLY

- Not driven by the Board
- Directors rating themselves high with no tangible evidence.
- Same score for ALL!
- Just wanting to tick the box & be like others.
- Emotions!
- Not implementing agreed recommendations.
- Boards that take a compliance-oriented approach — or structure the process in a way that prevents a true examination of the impediments to board effectiveness.

When the going gets tough.....



"If you had a bad evaluation you'll know right away."

- Not accepting feedback
- High opinion of oneself



If an evaluation is **wrongly executed**, the results are **disastrous!** It can lead to **distrust** among Board members and between the Board and the management



In summary ask....

