

# KEEPING THE BOARD RELEVANT: THE GOOD, BAD & THE UGLY IN BOARD EVALUATION

Presentation by:

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# Session's coverage



- ❑ A Relevant & Effective Board
- ❑ Why Board Evaluations
- ❑ The Good
- ❑ The Bad & The Ugly!

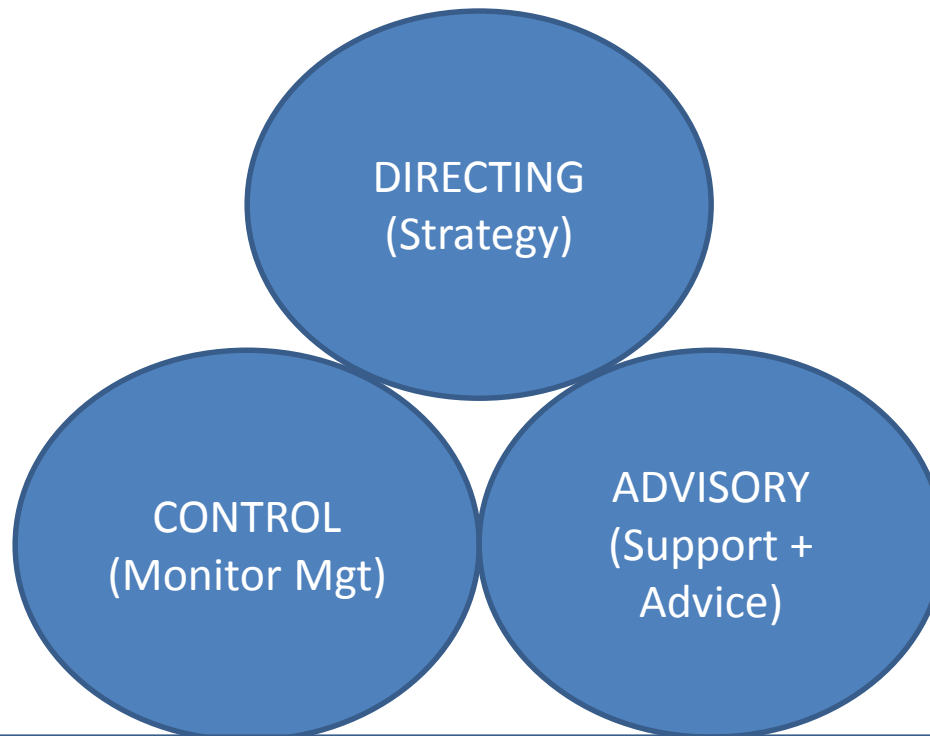
# The Relevant & Effective Board

# The purpose of Boards



- Well articulated in the statutes and various codes: Companies Act, Mwongozo, etc.
- The definition of board effectiveness has shifted dramatically over the past decade.
- A director now confronts not only complex oversight accountability, but also personal risk and liability.

# Role of the Board



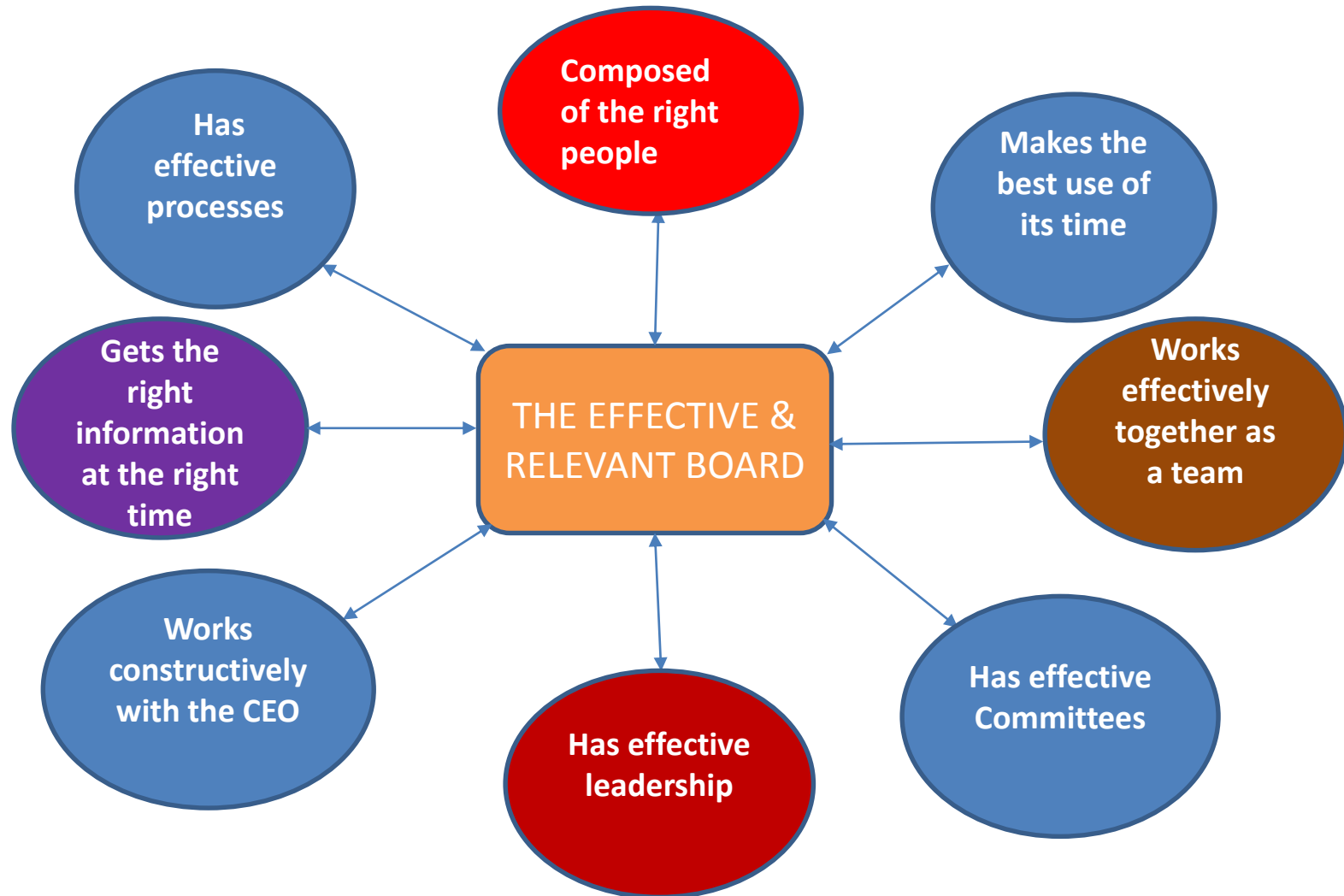
Board Evaluation examines these roles & responsibilities and assesses how effectively they are fulfilled by the Board

# What Directors need to Remember



- The ultimate duty of the director is sustainable performance. Your duty as a director is, inter alia, to balance risk and reward.
- Directors have to realize that their responsibility is social, environmental and economic performance.
- Failure has come in various disguises: failure to manage risks, to proactively contribute to firm strategy, to identify the 'right' team, and in some cases, to deal with integrity issues and possibly outright fraud.

# Key elements of an Effective & Relevant Board







# Definition



**“Board evaluation” is a process by which the effectiveness of a board, board processes, board committees and possibly its individual directors are assessed**

# Purpose



## PURPOSE OF BOARD EVALUATION

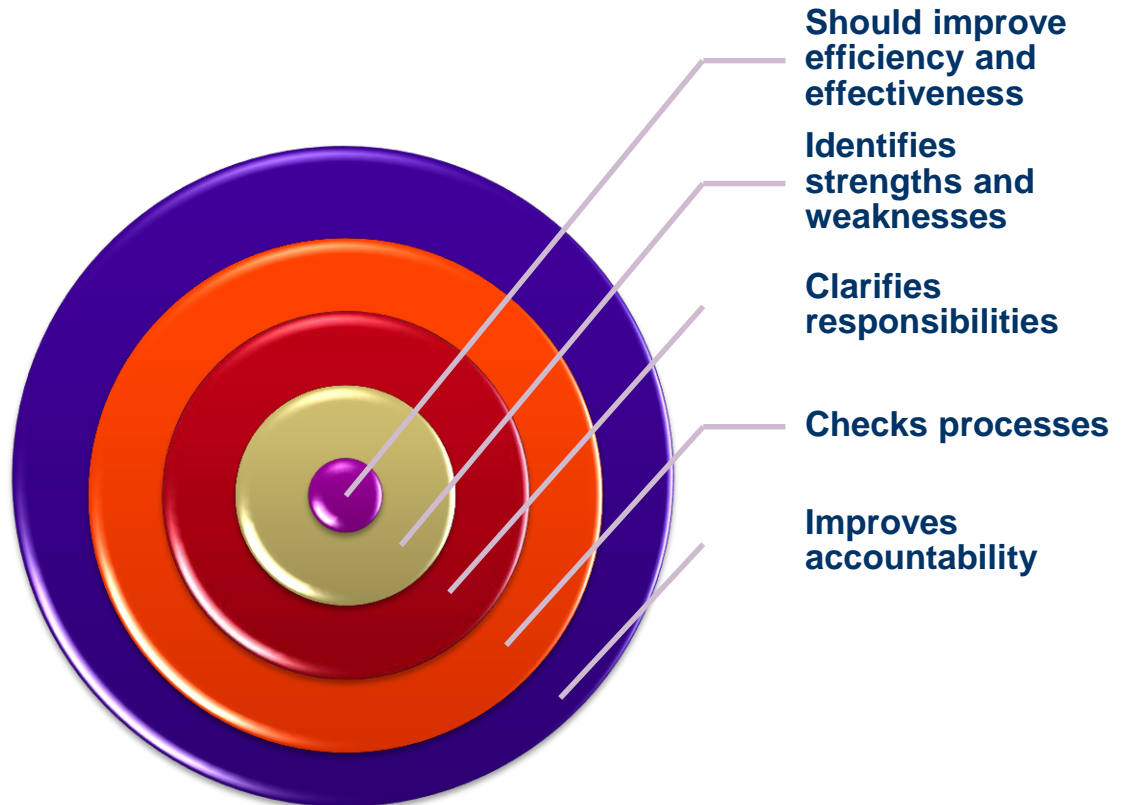
- Board evaluations, if conducted properly, can contribute significantly to performance improvements on three levels- the organizational, board and individual director level.
- Boards that commit to regular evaluation process find benefits across these levels in terms of improved leadership, greater clarity of roles and responsibilities, improved teamwork, greater accountability, better decision making, improved communication and more efficient board operations.

# Why Evaluate



## Consider the reasons:

- Regulatory requirement
- Commitment to good governance
- Improving or sustaining the performance of the board.



# Reasons for conducting BEs



1. To provide leadership to the organization. Sets performance tone and culture of the organization.
2. To demonstrate accountability: Focuses the board's attention on stakeholder needs & Clarifies delegations.
3. To clarify governance roles and responsibilities: Help clarify the roles of the board, individual directors, board committees and the CEO.

# Reasons for conducting BEs



4. To improve decision making: Clarifies strategic focus and goals.
5. To improve communication: Improves stakeholder relations.
6. To improve teamwork: Helps improve board dynamics & board-management relations.
7. To maximize director contribution: Encourages meeting participation & Highlights skills gap on the board.

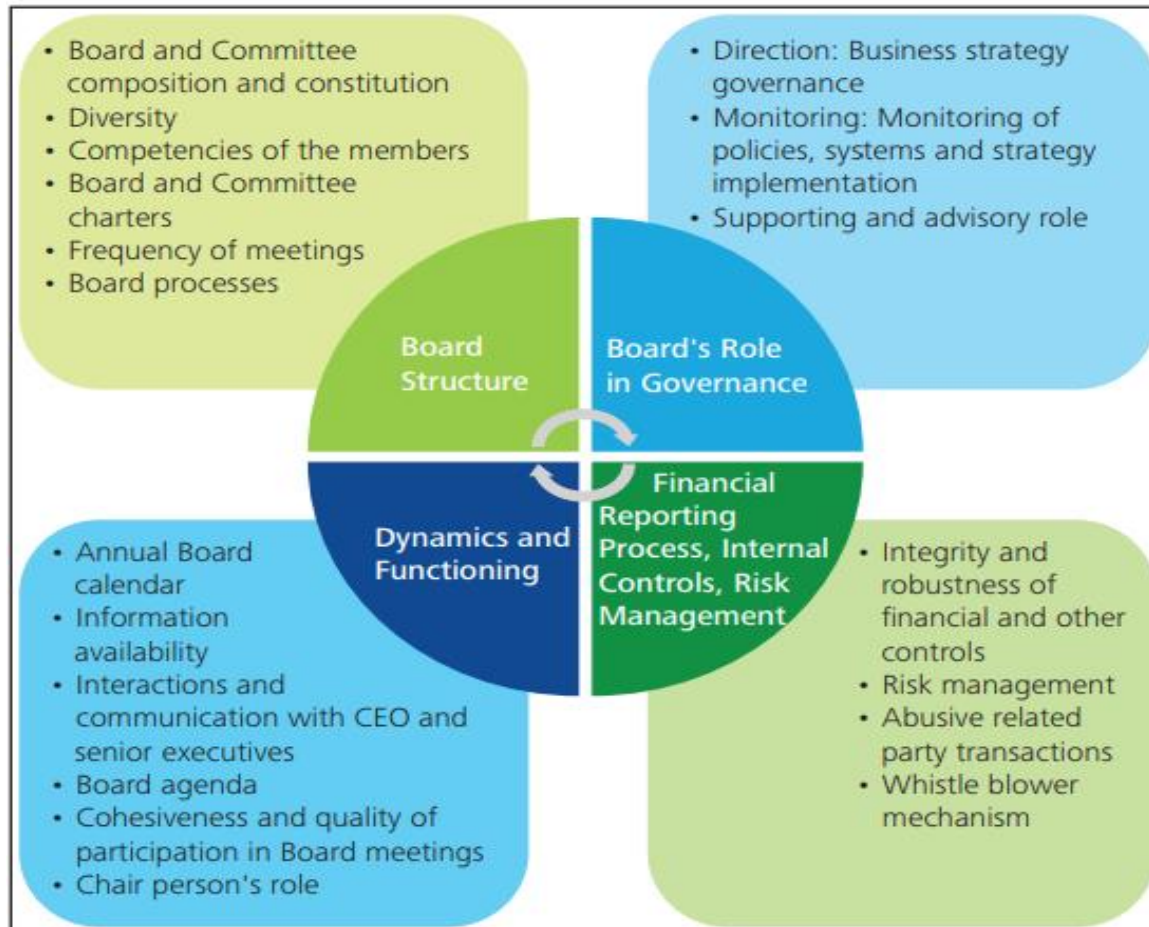
# Reasons for conducting BEs



8. To assist in director development: Demonstrates a commitment to improvement & also Provides feedback to individual directors.
9. To ensure effective governance: Demonstrates the board's commitment to adding value to the organization & Improves board processes.
10. To provide an early warning system: Helps to ensure that minor issues do not become major problems

# What it covers

## Parameters of Board Evaluation



# Key Considerations for the Board



Who will be  
evaluated

What will be  
evaluated

What are the  
objectives of  
the evaluation

Boards must understand which  
approach and tool works best based  
on where they are in their governance  
journey.

Who will be  
asked

What will you  
do with the  
results

Who will do the  
evaluation

What  
techniques will  
be used



# The typical process



Documentation  
Review



Questionnaires



Interviews



Observations



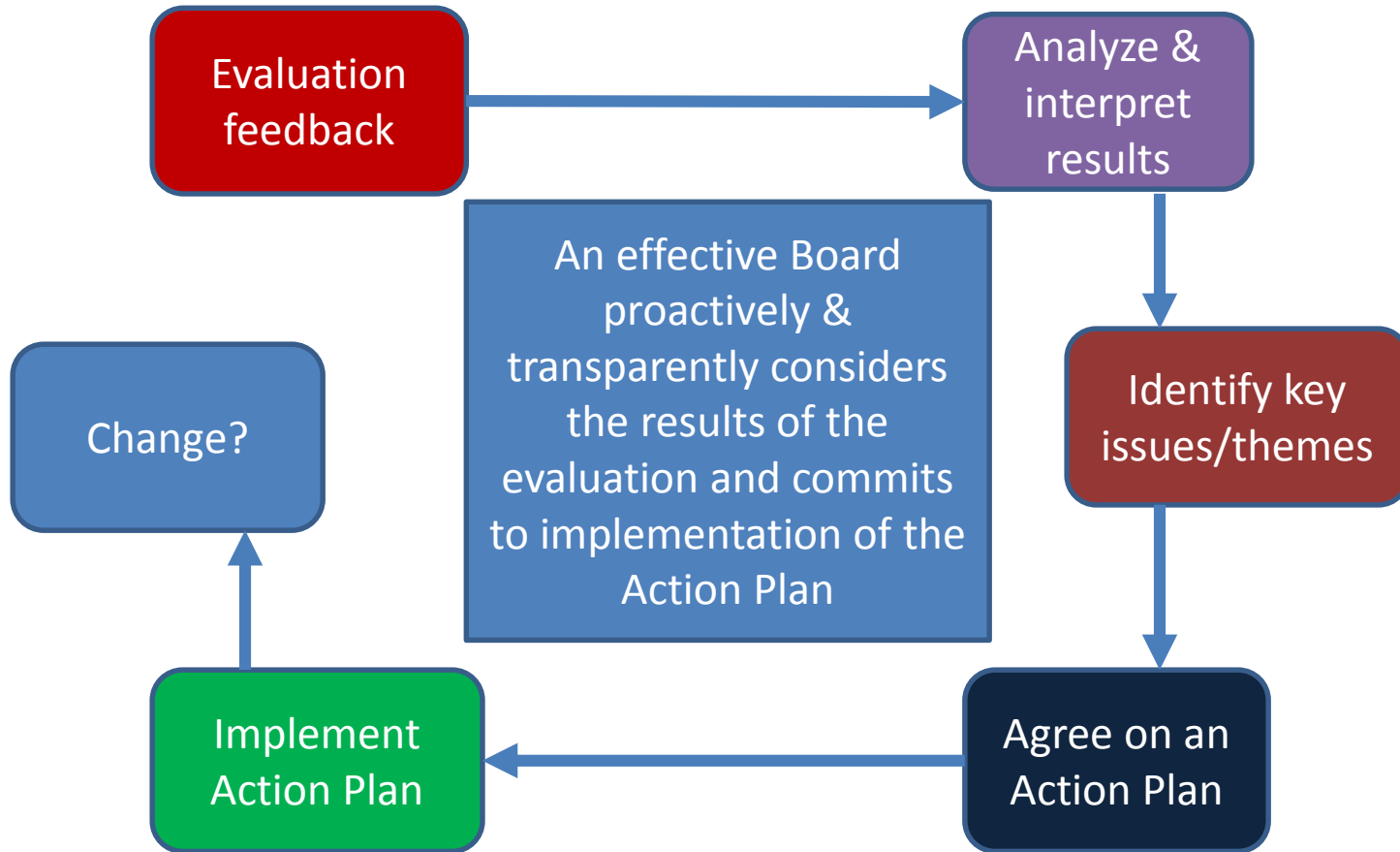
Cultural Analysis



Facilitated  
Dialogue

Comprehensive Board Evaluation and Assessment

# What do you do with the feedback?



# THE BAD & THE UGLY



"NEXT ITEM - CARRYING OUT OUR OBJECTIVE SELF-ASSESSMENT"

# The Bad & the Ugly



1. We are Not Getting the (Whole) Truth.
2. Some directors may feel uncomfortable about being evaluated.
3. There are no performance targets for the board, committees or executive managers.
4. Not driven by the Board.

# The Bad & the Ugly



5. The CEO, Chairman, and/or Founder may be dominating the Board and be concerned about the issues that an evaluation may raise.
6. Not implementing agreed recommendations.
7. Dysfunctional board – leading to distrust among members.
8. Previous board evaluations were ineffective.

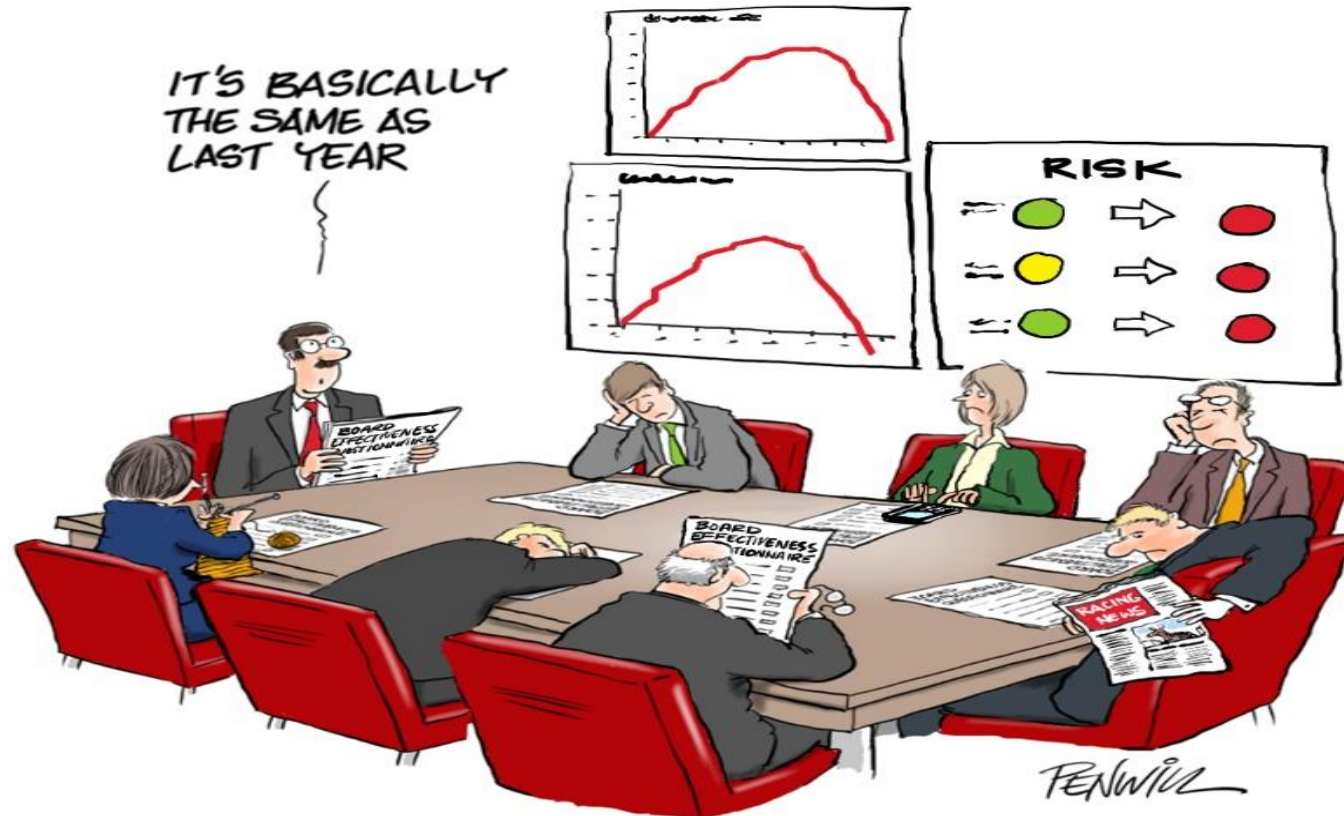
# The Bad & the Ugly



9. Day-to-day pressures cause the board to delay the evaluation.
10. Emotions: Evaluation may be perceived as a sign that the board lacks trust or confidence in the CEO's performance.
11. Subjectivity.
12. Lack of independence.



# The Bad & the Ugly



THE BOARD REVIEWS ITS EFFECTIVENESS

*Thank You*

