CONSCIOUS GOVERNANCE

Board Evaluation Processes

Board evaluation processes help governing Boards determine how well they are carrying out their responsibilities and identify strategies to develop areas that need improvement.

The objective of a Board evaluation and self-assessment is to help the Board improve its own work, and to move the Board to the next level of performance.

The purpose of a Board evaluation and self-assessment is to allow Board members to better understand their own roles and responsibilities and how they can more effectively fulfill their obligations.

The evaluation process can develop the Board's team building skills, provide a structure for problem solving, and increase accountability within the organization.

In our experience of facilitating many Board evaluations, the main instigators of Board evaluation processes are the Chair (usually if there is an issue they want to bring out), the CEO (usually when it is part of a general governance update process) and sometimes funding agencies or key stakeholders (usually in response to a perception of underlying governance problems).

About the Process

Board evaluations are typically based around Directors rating themselves, or the Board as a collective, or rating both themselves and the collective Board. This rating is done on a series of questions related to their responsibilities and functions as a Board. The results of this self-rating are then compiled and analysed, usually by an experienced external governance facilitator, and a report delivered to the Board.

Covered in the Board evaluation should be:

- Clear knowledge of the Organization's Mission and Purpose
- Engage in Strategic Process
- Foster a conscious culture
- Board work program
- Strategic thinking skills of Board and CEO
- Ensure Sound Risk Management Policies
- Support the CEO and Review CEO's Performance
- Relationship between Board, CEO and Staff
- Enhance the Organization's Public Image
- Carefully Select and induct new Board members
- Individual Board member Self-Evaluation

One of the most common complaints about Board evaluations is that they did not result in any, or many, changes. One of the key strategies we use that helps keep the Board focused is to develop a Board work program that specifies which recommendations are to be undertaken, who is responsible for ensuring that it occurs, and when that recommendation should be implemented.

This provides a formal accountability and project plan for the Board, which is more likely to result in the recommendations being actioned.

If you choose to undertake a Board evaluation, firstly conduct a governance audit, ask for evidence of ratings as part of the evaluation, and implement a Board work program based on the recommendations. These three strategies will assist in your Board extracting the most value from the evaluation process.

The Problem With Board Evaluations

By: Steven Bowman

Board evaluations are becoming more commonplace as Directors seek ways to become more strategic, make better decisions and be seen to be undertaking best practice governance. Most Boards who undertake an evaluation process do so from a place of wanting to be even better at what they do, although some individual directors are less than enthusiastic about being part of an evaluation process. In our experience of facilitating many Board evaluations, the main instigators of Board evaluation processes are the Chair (usually if there is an issue they want to bring out), the CEO (usually when it is part of a general governance update process) and sometimes funding agencies or key stakeholders (usually in response to a perception of underlying governance problems). Whilst the reasons for undertaking Board evaluations vary from Board to Board, there is one major underlying problem with most of the Board evaluations that we have reviewed.

Board evaluations are typically based around Directors rating themselves, or the Board as a collective, or rating both themselves and the collective Board. This rating is done on a series of questions related to their responsibilities and functions as a Board. The results of this self-rating are then compiled and analysed, usually by an experienced external governance facilitator, and a report delivered to the Board. The major problem with this type of Board evaluation is that Board Directors are rating themselves. This often leads to Directors rating their skills as high (sometimes low), with no evidence to support that rating!

We have seen numerous examples where Directors have rated themselves highly in most evaluation areas, yet evidence suggested that they were, in fact, not functioning well in these areas. Some of the more common situations (and we have seen these many times) include:

Evaluation Question: How effectively did the Board deal with statutory reporting, compliance and legal matters such as constitutional review and compliance with relevant legislation?

Rating by Directors (5 point scale): average 4.8/5, range 4-5 Yet…… No evidence of formal statutory reporting framework, no compliance schedule, constitutional review not conducted in past 5 years, and the constitution full of antiquated articles that excluded electronic meetings or notices.

A common example

Evaluation Question: How effectively did the Board contribute to development of and review the implementation of strategy

Rating by Directors (5 point scale): average 4.6/5, range 4-5 Yet…… No evidence of a strategic plan being approved by Directors, strategic plan not embedded into agenda of Board, Board minutes do not reflect discussion and decisions around agreed strategies, reports of staff not reflecting the Strategic Plan, Key Performance Indicators of the CEO not reflecting elements of the Strategic Plan, Annual Report not using the strategic plan as one means of reporting accountability, no formal or informal process for Board to regularly review assumptions behind the strategic plan.

So, what can you do? We recommend three strategies to overcome this problem.

Strategy 1: Conduct a Strategic Governance and Operations audit.

One of the most powerful techniques we have developed is what we term a Strategic Governance and Operations audit, which is conducted in conjunction with the Board evaluation. An independent person (usually the evaluation facilitator) spends some time in the appropriate offices, usually with the CEO and/or General Manager, investigating the key areas that are the focus of the Board evaluation, looking for evidence of Board processes, Board compliance and operational issues that directly affect the governance of that organisation.

For example, you would seek evidence of processes and best practice in at least the following areas: Legal: Constitutional review, compliance schedule. Strategy: Strategic Plan exists, signed off by Board, Board agenda reflects key strategies, Board minutes reflect strategic discussion, CEO KPIs reflect key strategies, performance management system for staff reflect impact of strategic plan, stakeholder communications reflect elements of strategic plan, Annual Report utilises strategic plan, risk management plan in place, Board risk policy in place. Accountability: Board succession planning protocols in place including formal skills analysis, Board induction program in place, formal Board charter, formal charters for Board committees, CEO KPIs in place, relevant Board policies signed off and regularly reviewed, Board evaluation protocols, annual Board work plan. Culture: Performance management system in place for staff, culture and team processes, financial benchmarks and controls, CEO and Chair/Board relationships.

When looking at these areas, we have found it useful to identify whether the policies or procedures actually exist and address the key issues, whether they are documented and communicated, and whether they are in operation and applied consistently. This information is then used to cross check with Board members evaluation ratings

Strategy 2: Construct the Board Evaluation so it asks for evidence that supports the ratings

The typical Board evaluation only asks Directors to rate themselves and/or the Board according to agreed questions, usually in an electronic survey. These surveys almost invariably never ask for evidence that supports their rating. Even evaluations that consist of face to face interviews often only investigate Directors perceptions, without digging into evidence that might support those perceptions. We have developed Board evaluations that ask Directors to provide both evidence for their rating, and also what remedial action they perceive might be expansive for them and the Board to consider. The responses to these questions are fascinating, especially when they are matched to the Strategic Governance and Operations audit results.

The format of a Board evaluation might look like the following:

Board Evaluation Note: These questions are intended to assess the effectiveness of the Board collectively and Directors individually, not management.	**THE BOARD COLLECTIVELY** **1=POOR** **5=VERY EFFECTIVE**	**MY INPUT AS INDIVIDUAL DIRECTOR** **1=POOR** **5=VERY EFFECTIVE**	Short description of processes or behaviors that provide evidence to support your rating of the Board collectively (dot points)	Recommended remedial action (how we can do it better)
Q1				
Q2				

Some of the responses we have had from Directors regarding their view of evidence includes:

Question: How effectively did the Board provide external accountability to its stakeholders?

Rating by Directors (5 point scale): average 4/5, range 2-5

Evidence provided to support rating: Financial reporting by accountants provides all the accountability we need

Evidence from audit: There was no formal mechanism for monitoring stakeholder perceptions, and a stakeholder survey conducted as part of the Board evaluation showed that stakeholders viewed the Board as being operational with no strategic vision or accountability. Stakeholders rated this as 1.5/5

Question: How effectively did the Board identify and monitor key risks that could impact on its ability to achieve its strategic plan

Rating by Directors (5 point scale): average 4.3/5, range 3-5

Evidence provided to support rating: "We are all very conscious of risk issues"

Evidence from audit: No risk management plan, no agreement on key risks, no risk management policy, no risk analysis for any project, no evidence of any risk related discussion from Board minutes

Strategy 3: Develop a Board work program based on the Board evaluation results

One of the most common complaints about Board evaluations is that they did not result in any, or many, changes. One of the key strategies we use that helps keep the Board focused is to develop a Board work program that specifies which recommendations are to be undertaken, who is responsible for ensuring that it occurs, and when that recommendation should be implemented. This provides a formal accountability and project plan for the Board, which is more likely to result in the recommendations being actioned.

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