

Getting value from Board evaluation

Feedback from the Boardroom

Know why you are doing it

An external Board evaluation is an opportunity to solve a problem, and a moment in time when possibly long standing issues can be addressed. At these moments the Board has an expectation that the process will shine a light on some significant issues that probably won't come as a surprise but could otherwise be delayed or avoided. These issues might include succession, a change in business strategy, or in a key relationship.

Whilst many organisations are required to have a periodic external evaluation of their Board - and others may see it as a necessary evil - the Boards that get the most value from an evaluation are those who know why they are doing it and choose the right time to do so.

Promote conversations rather than tick boxes

When looking at how Board evaluations are carried out, face-to-face interviews and observation of meetings lead to many more insights than paper-based or on-line questionnaires. Although there is a requirement to evaluate many standard Board processes, most of this can be done by examination of existing Board papers and records. The exploration of Board dynamics that can arise from observing Board meetings and from 1-to-1 interviews with Board members is where the real value lies.

Mix qualitative with quantitative methods

Whilst it is rarely useful for individual Board members to give ratings for each other, it can be valuable to bring some quantitative rating into the process of capturing perceptions of the how the Board functions. These ratings can identify differences of perception between the Non-Exec and Exec members of a Board. A mix of some top level quantitative perception data alongside qualitative impressions of the strengths and potential blind spots in a Board is the approach most likely to promote the necessary conversations about the feedback.

An external Board evaluation also provides the opportunity to compare how Boards of other organisations have tackled similar issues. This could be through formal benchmarking - but the personal experience of the person/company who is conducting the evaluation is likely to be the best avenue for informal comparisons to be drawn.

SIDs have a valuable role to play - if they are used well

The Senior Independent Director is an increasingly valued role on PLC Boards. In other sectors this is less of the case, but a SID can be a valuable addition to any Board. They can hold the Chair to account and can take a particular interest in the progress of Board evaluations and indeed commission them in some cases. SIDs are more than simply a deputy chairman and should not be selected based on being the natural successor to the chairman.

And finally - beware the risk register

Conventional risk registers are rarely the vehicle by which the most strategic risks to organisation are meaningfully discussed and dealt with by a Board. A Board dynamic that encourages NEDs to express concerns, and to ask questions that could be seen as rocking the boat, is one that is most likely to be recognising and acknowledging strategic risks.

Again a good Board evaluation process will look at how well the Board is equipped to listen to different perspectives and dissenting voices. The decisions that a Board actually makes (and particularly where they have declined proposals from the executives), rather than just rubber stamping proposals that have come to them for approval, are possibly the best indicators of how effectively a Board is affecting the business.