

# boardinsight:

## **Preparing for a board effectiveness review**

We thought it would be interesting to consider some points from our experience that you might need to focus on before starting a board effectiveness review. These are to help ensure a good outcome and to get the best from the resources you commit to the review.

### **Get buy-in to proceed**

First - ask yourselves why are you proposing to conduct a review? If it is purely to comply with the UK Corporate Governance Code or other sector Governance Code, you may not have full engagement and are therefore likely to get a poor outcome. You will need to work on getting your colleagues on board with the benefits of conducting a review before you start.

If it is to address a particular thorny issue, be careful that you are not close minded to other issues and that these are not properly addressed.

We suggest you need to agree that the outcome is an action plan to enhance your board's effectiveness. 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 the whole board should agree to this - at the very least the chair and NEDs should be engaged and committed to the process.

### **Agree the time commitment needed for the review**

You 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 review - 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 directors focus their minds on being available and engaged for the review within the time that you've agreed.

## **Agree confidentiality parameters**

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 chair.

## **Scope the review**

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

Generally, one-to-one discussions will get a more meaningful result than a questionnaire leading to a fuller range of recommendations for the board to consider.

If you are using questionnaires - beware of questions which have responses indicated in the range of scores of 1 to 5 because you will 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.

## **Agree whether or not to use an external facilitator**

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 not going to get the best outcome year-on-year.

When you use an external provider ask yourself why you are doing this? It should not just be to meet Corporate Governance requirements (three year requirement for externally facilitated board evaluation). An externally facilitated review must add value in some way - you need to be sure that the proposed adviser is likely to be able to deliver this. 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 review 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 assurance that your way of working is effective?

In some cases you might like to consider an approach which is a mix of internal and external input. Some examples of a hybrid approach might be:

- You analyse the results of a questionnaire provided by the external facilitator
- The external facilitator analyses the responses to your questionnaire
- The external provider facilitates 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.

Ensure 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 chair - 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.

However, it is your board's decision as to which, if any of the recommendations it will adopt

### **Good preparation is a key success factor**

To sum up, how you prepare for your board review can determine whether the time and money you spend on it achieves little, or whether the review leads to your board adopting new ways of working which can add real value to your organisation.

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