



Best practice requires that premium FTSE listed companies have an external Board Evaluation at least every third year and FTSE 350 companies have to “explain” if they do not. The Walker Review, leading to the UK Corporate Governance Code, focused on the importance of a number of areas which add real value to the way in which any Board conducts its affairs and drives its business. Two important areas are Board assessments and risk assessments.

### Subject to objectivity

**Genius Methods** undertook a Board Evaluation and Governance Review for a major conglomerate (confidentiality requested). The corporation is listed on an International Stock Exchange – from flotation five years ago - with a market capitalisation in the region of £900million.

In terms of ownership, 62% of the shares remain in the family of the founder, who established the business in 1978 and today still assumes a very hands-on role; 10% of shares are with fellow directors and employees and the balance is listed on the stock market. All companies benefit from an objective view of governance practices; when ownership is largely skewed in one direction, the requirement for such a view is perhaps even more pertinent.



### Adding value

*“Board Evaluation is an important annual exercise that adds considerable value to all organisations, regardless of size. It is neither process-heavy nor hugely time-consuming.*

*Whether or not a company is affected by the Walker Review or the UK Corporate Governance Code, there is merit in spending time in preparation for Board Evaluation and securing the benefits that flow from it”.*

**Neville Bain**

Chairman of the Institute of Directors



## From the outside in

The best external facilitation processes are not generic and not standardised. There is no one single, simple template that can be pulled from a shelf to provide any meaningful results to the corporate 'soul-searching' dictated by the nature of such exercises. Genius Methods adopts a tailor-made approach to each individual organisation; bespoke solutions which are, nonetheless validated by industry-wide comparative studies and benchmarking. Our evaluations incorporate characteristics and deliverables such as:

**Strategic focus** ~ Highlighting Board processes that add value and adjusting the agendas to spend more time on the strategic and important, and less time on recording decisions already discussed and agreed at the management committee level.

**Objectivity** ~ Objectivity of process is based on best practice, thus ensuring good coverage of all areas. In some internal processes, objectivity may be compromised by not providing the challenge needed.

**Benchmarking** ~ The report and action plan, compiled for the, Board offers options based on the consultant's wider experience and includes the ability to benchmark against best industry and International practice.

**Skills and diversity mix** ~ An independent view on the balance on the Board, any skill sets missing, diversity imbalances and any other areas that may need strengthening.

## Management excellence

*Against the backdrop of a highly successful and profitable company, well run and widely respected, an objective, external assessment was able to make a valid contribution to adding further dimensions to management excellence.*



**Decision making infrastructure** ~ At the option of the client, we provide an external view on the committees of the Board and their interaction with the Board. We also map the balance, skill sets and diversity mix on each committee.

**Behaviour** ~ The interaction of the team, the leadership from the Chair, the challenge provided from the Non-Executive Directors, and the communication between the Board and the Executive team all form part of the evaluation.

**Risk Management** ~ Industry, regulator and sovereign risks are considered as internal governance, communication and structural risks. Risk is viewed from a reputational and financial impact perspective. The Board is encouraged to consider “unknown” risks to ensure that a fresh view of risk is provided for and from the Risk Committee.

## Being the best they can be

For this particular client we conducted a Board Evaluation and Governance Review simultaneously. It was clear that high standards of governance were embedded in the organisation, and that controls were robust. There were only minor areas indicated for optimisation and improvement.

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The following areas were identified for improvement and all have been implemented.

*“The ABI’s leading role in corporate governance stems from our members’ belief that well-governed companies will produce better returns for shareholders over time. This piece of research, using data generated by our own Institutional Voting Information Service (IVIS), does show a clear connection between good governance, company performance and investor return. One important conclusion, not highlighted in other research, is that good governance reduces volatility of returns. Moreover, good governance is also a precursor to good performance rather than vice versa”.*

**Stephen Haddrill**

Director General,  
Association of British  
Insurers





- One of the three subsidiary companies needed an additional director to provide a better balance of skills. This director has been identified and appointed.
- Directors did not have clear terms of office; this has now been corrected.
- Independent directors did not have an annual review with the Chair; the process has now been put in place and voted to be mutually beneficial on both sides of the review.
- The strategy process was relatively informal in that each Board agenda had items of significant strategic importance but there was no full strategy overview. The company has now put in place a full strategy process with a full Board day off-site to address strategy; the independent directors contribute at stages in the process and the final strategy is more a reflection of the full Board.
- Management development and succession planning is now more thorough and has been elevated to the status of an important annual Board agenda item
- The agenda has been re-shaped so that the important and strategic items are first on the agenda and the more routine items are relegated to the end. Time allocation has materially improved.

## Valuable Insights

*“I was initially reluctant to conduct this on two counts. First, I was afraid this was just another box-ticking time wasting process. Second, as the person that built this business from infancy to the current time, I felt that I knew how to run the Board.*

*I was wrong. The exercise has been very helpful, conducted by an excellent consultant with really valuable insights. I have fully endorsed the action plan and this will be a regular annual exercise in our company”.*

Chairman and  
Company Founder