

Public Sector

Helping organisations in the public sector capitalise on their strengths

Why do a Board Evaluation?

1. Because you have to ...

“The board must undertake a formal and rigorous annual appraisal of its members and of the board as a whole.”

Excellence in Governance - Provision D, Main Principle

“Boards should ensure their continuing effectiveness. This needs clarity of purpose and a focus on performance and renewal. Boards, including their committees, should review their own performance and take action to address any identified areas for improvement.”

Excellence in Governance – Provision D, Clause 1

2. Because you want to ...

- ✓ Gain value through optimum leadership
- ✓ Deliver service through effective board performance
- ✓ Develop a culture of continuous improvement
- ✓ Be transparent internally and externally

Who is Responsible?

The Chair, supported by all board members

“Good governance is more than good practice –
it is good business too”

This statement is given in the principle section of the Excellence in Governance, Housing Sector Code, but it is typically not believed to be true in any sector

Research in Public and Private sectors indicates the following reasons for this jaundiced view:-

- Badly performed evaluations have created problems
- Lack of confidentiality has resulted in a superficial exercise
- Boards have not taken ownership of exercise & nothing has changed
- Minimalistic approach resulted in an ineffective tick-box exercise
- Carried out for pure compliance reasons resulted in wrong approach
- Often costs incurred and no value delivered

Given these reasons, it is understandable that members are sceptical.

The objective in this article is to address how your organisation can achieve value through performing a board evaluation.



How can a Board Evaluation be different?

1. Do not run it internally
2. Ensure that contributions remain totally confidential and unattributed
3. Ensure the process is fit for purpose for your needs
4. Tailor the process to meet your current needs
5. Do not over engineer or under engineer
6. Define expected outcomes and measure them
7. Ensure best practice each year is included
8. Design the exercise to be “easy” on the members time
9. Educate members to understand the value of their contribution
10. Remember that this is for the organisation
11. Ensure the process protects members
12. Avail of external experienced contribution
13. Refresh the content every year
14. Own the process
15. The delivery must be rigorous
16. The content must be robust
17. The Chair needs to drive the change

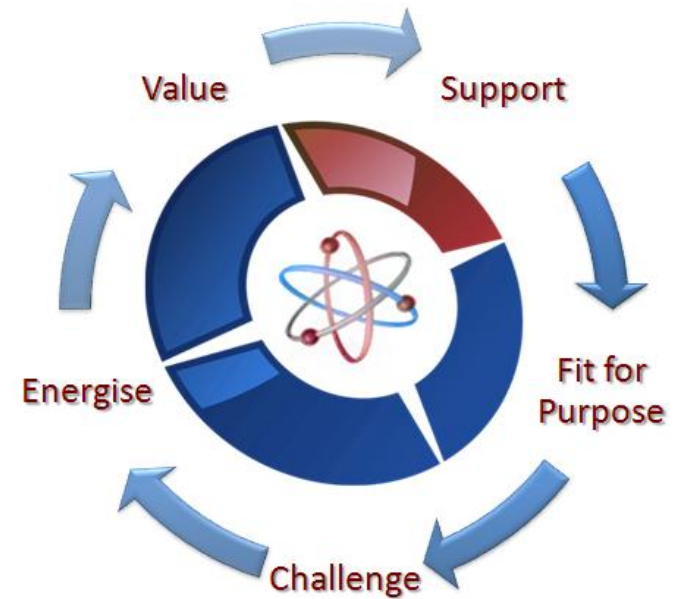
Insight Quotes

“Every Board can improve – Neville Bain, Chairman IoD

“Well governed company will produce better returns for shareholders over time” Association of British Insurers

*“A Board Evaluation definitely adds value as it gives fresh insight and ideas, it helps us think differently“
CoSec - FTSE 100*

What should the Board members expect?



1. Evaluation of the Board as a Unit
2. Evaluation of Board committees, each as a unit
3. Member appraisal, either self appraisal or 360 degree style
4. Evaluation of the Chair

Delivering on Responsibilities

“Organisations are expected to provide an annual statement of compliance to the code and make a reasoned statement about any areas where they do not comply.” Excellence in Governance

You will need to have performed a value added , rigorous and robust board and governance evaluation to be able to comply to the above requirement honestly.

Review should cover two elements –

- Quantitative analysis
- Qualitative analysis

Report should cover-

- Objective
- Process
- Findings
- Recommendations
- Action Plan

Thereafter-

- Follow the action plan
- Monitor progress
- Make adjustments

What is covered in a Board Evaluation?

Strategy ~ Evaluation of the current strategic processes aimed at achieving long term success.

Governance & Processes ~ Evaluation of structure, size and mix of the Board; timing, quality and medium for flow of information, agenda composition and content etc.

Skills and Diversity ~ Evaluation of the balance and diversity on the Board, highlighting skill sets, knowledge or expertise against what is required.

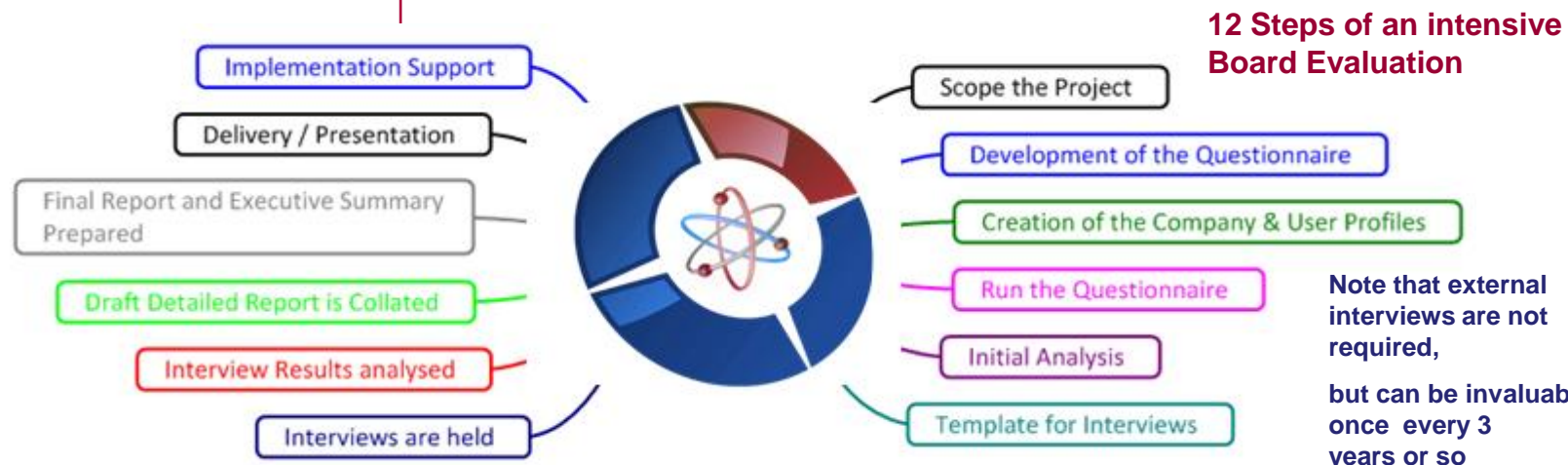
Decision making ~ Evaluation of the process of decision making on strategic and risk related matters including the involvement of all members.

Behaviour ~ Evaluation of the interaction of the team, the leadership of the Chair, the challenge provided from the non-executive members and the communication between the Board and the executive team.

Risk Management ~ Evaluation of the reporting of risks, which risks are reported, their evaluation, debate and the action plan process.

Board Committees ~ Evaluation of key committees and the executive.

Communication ~ Evaluation of the clarity of definition of stakeholders, the two way communications with these parties and interaction within the Board and with its delegated and reporting committees .



Note that external interviews are not required,

but can be invaluable once every 3 years or so

Return on investment & achieve value

There is no proven direct correlation between the existence of a Board Evaluation and the bottom line, but....

“Companies with strong environmental, social and governance standards have outperformed the FTSE 350 and the FTSE All-Share indexes on total shareholder return for seven of the past eight years”

BITC (Research by Ipsos Mori)

Carried out correctly, a Board Evaluation will provide value to the organisation, support members engaging more productively with their peers and the executive and will promote alignment to common strategic goals and the route to their achievement.

Case Study

“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.

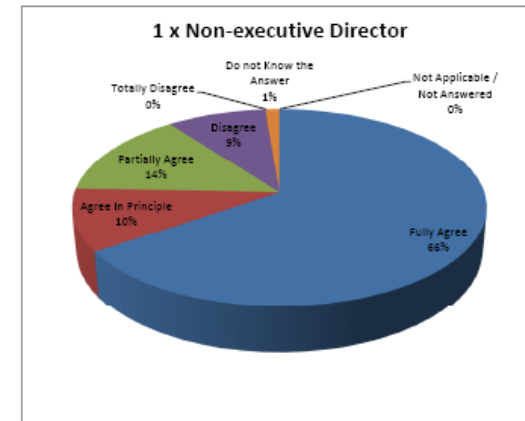
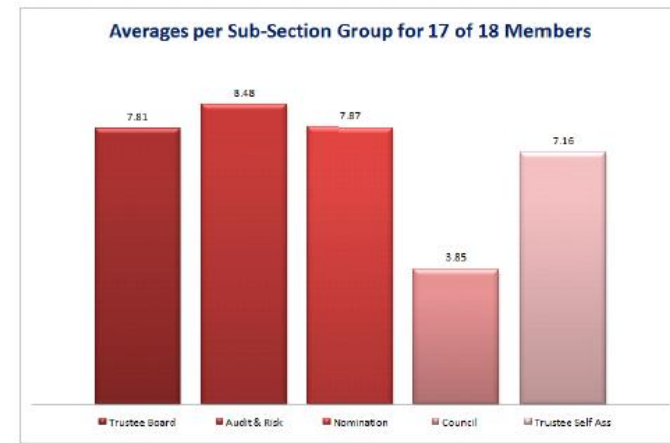
I was wrong.

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*

Samples of Quantitative Reports



Question	Primary Group				No Answer or No View	HS (0-5)	Comment
	Lowest	Highest	Average	Closest Answer			
Trustee Board	5.50	7.81	7.81				A little lower than desired
1. The Trustee Board has contributed to the development of a clear vision for the XXX, in accordance with its charitable objectives, and an appropriate commercial strategy for its achievement.	7.00	10.00	8.59	Agree			
2. The Trustee Board sets aside enough time to debate, set and monitor progress towards long-term objectives.	4.00	10.00	6.20	Agree	NI		Time management or content management - see suggestions in notes
3. The Trustee Board offers clear and effective leadership to XXX Membership.	0.00	10.00	6.79	Agree	3	NI	Communication with membership issues
4. The Trustee Board offers clear and effective leadership to XXX staff.	0.00	10.00	7.64	Agree	3	H	
5. The quality and usefulness of the reports and papers prepared in advance of Trustee Board meetings and the material distributed between meetings is high.	4.00	10.00	7.71	Agree	H		
6. Sufficient time is provided during Board meetings for proper discussion by Trustees on key issues and to add value to management.	0.00	10.00	7.20	Agree	3	H	
7. Trustee Board meetings are conducted in a manner that encourages open discussion and meaningful participation.	0.00	10.00	9.23	Strongly agree	1		
8. Trustee Board proceedings and resolutions recorded accurately.	7.00	10.00	8.94	Strongly agree			
9. The Trustee Board has responded well in Crisis Management Situations.	0.00	10.00	7.47	Agree	3	H	
10. The Trustee Board communicates well with the Membership as a whole and is well informed on the views of the Membership.	0.00	7.00	4.86	Disagree	3	NI	Correlates with result above
11. The Trustee Board communicates well with the associated trusts and vice versa.	0.00	10.00	9.00	Agree	3		
12. The Trustee Board takes appropriate action to seek improvement in any underperformance by the Board, Council or supporting committees.	0.00	10.00	6.62	Agree	4		
13. The Trustee Board takes appropriate action to seek improvement in any underperformance by the executive team.	0.00	10.00	7.64	Agree	3		
14. The Trustee Board used the Registrar's Term references and opportunities.	0.00	10.00	8.40	Agree			
15. The composition of the Trustee Board is appropriate bearing regard to the balance of knowledge, skills and experience of the Trustees.	0.00	10.00	8.00	Agree			
16. Trustees have access to appropriate training and development if they require it.	0.00	10.00	8.20	Agree			
XXX Audit & Risk Committee	7.00	10.00	8.48	Agree			

Question	Primary Group				No Answer or No View	Comparison Group			HS (0-5)	Comment			
	Lowest	Highest	Average	Closest Answer		Lowest	Average	Closest Answer					
1. The Council is highly effective in providing a both way channel of communications to the Membership as a whole and in providing timely advice to the Trustee and other Boards.	0.00	4.00	3.00	Disagree	1	1.00	1.00	1.00	Strongly Disagree	2.00	NI	Values are low in both categories	
2. An appropriate basis of mutual respect and trust exists between the Trustee Board and the Council such that the information and views can be shared in confidence.	0.00	4.00	3.33	Disagree	1	4.00	4.00	4.00	Disagree	9	-0.87	Every response is below the benchmark	
3. Council meetings are chaired effectively and are given sufficient time and access to information and resources to enable the proper consideration of issues required.	0.00	7.00	4.17	Disagree	4	0.00	4.00	4.00	Disagree	3	0.17		
Trustees	3.67	10.00	7.39			8.67	8.67	8.67			-1.28	High Range	
1. Do you feel that your knowledge, skills and experience are being used in an appropriate and effective manner?	1.00	10.00	6.14	Tends to be carried out	3	10.00	10.00	10.00	Strengths	2	-3.86	NI	Variance on opinion is high.
2. How committed to the XXX do you feel, and are you able to commit sufficient time to the XXX within the terms of your appointment?	4.00	10.00	7.00	Tends to be carried out	4	10.00	10.00	10.00	Strengths	2	-9.00	NI	This must be viewed with caution as there is only one respondent in the Management category
3. Do you feel well informed and properly prepared for meetings having regard to, amongst other things, the information made available to you?	4.00	10.00	7.48	Tends to be carried out	3	10.00	10.00	10.00	Strengths	1	-2.57	NI	In general the value of the Self Assessment by the Trustees is low.
4. Do you believe that your views are considered adequately by other members of the Trustee Board?	10.00	10.00	10.00	Strengths	3	10.00	10.00	10.00	Strengths	3	0.00		
5. Do you follow up action points outside of meetings?	4.00	10.00	7.43	Tends to be carried out	3	10.00	10.00	10.00	Strengths	2	-2.57	NI	There is conflicting data on these results and the commentary is
6. Do you refresh and update your knowledge and skills in relevant areas such as industry and market developments and Corporate Governance?	1.00	10.00	7.96	Tends to be carried out	3	4.00	4.00	4.00	Disappointing for Improvement	2	3.96	NI	