

THE JOYS AND PROBLEMS WITH BOARD EVALUATION

By Professor Bob Garratt

Many jurisdictions around the world now ask for annual board reviews and, at least every three years, for this to be handled by independent external reviewers. Sadly this is often seen by boards as a bureaucratic and costly imposition. In turn this leads to a quick tick-box approach which can be rationalised as cost-effective but are usually unproductive.

However, if the board's mind-set is changed to seeing board review as a constructive, developmental process it can change the effectiveness of not just the board but the whole business. To do this I have found that using the four aspects of *The Learning Board* * process i.e. reviewing the boards competences in developing Formulating Policy and Foresight; Strategic Thinking; Supervising Management; and Ensuring Accountability, is a solid base on which to build.

From this base can be developed a critical review of key aspects of the board including its composition (to ensure sufficient diversity); its dynamics; relationship with management; relationship with owners; relationship with stakeholders; the effectiveness of board committees; the effectiveness of the chairman; and the effectiveness of the company secretary.

What we have learned in conducting such board reviews is that they must first be committed to by the board as a sign that they are seeking actively to improve their performance; second that the measures used must show the differences between what each board member sees as the current position and what is necessary to achieve the board's stated objectives; and third that each board

member has their views recorded anonymously so that honest feedback is guaranteed.

Three problems to be avoided are for the approach to be the Chairman “having a quiet word” with each board member. Without a rigorous interview/questionnaire structure the whole process can be too chairman-centric and ultimately unhelpful. Second, for the feedback to be closely-held by the chairman so that speculation and distrust about the review’s content divides the board. Third, there is often a wish to rush into peer reviews. Unless the review of the whole board is handled first, then the focus on personal relationships can become very destructive to the board’s dynamics.

As some jurisdictions are now asking that the results of board reviews are published at least to the owners this issue will grow in importance.

**The Fish Rots From The Head: Developing Effective Board Directors.* Profile Books, London 2010.

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