

Board Performance Evaluation

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Good corporate governance now calls on Boards to look at their own performance. I have perused a number of corporate governance codes and practices across the globe and all of them now encourage board performance evaluations. There are two main reasons why these evaluations are crucial:

1. It gives the board an opportunity to reflect on how the board is adding value to the business.
2. It allows the Board to address the shortcomings in how the board and individual members are adding value to the business.

While Board evaluations are prevalent in well-managed organisations, the story is different in organisations with poor governance structures which rarely carry out Board performance reviews. If you want to know the level of governance in an organisation just ask how frequently board performance reviews are done?

The Havard Law School Review, in a paper by [EY Center for Board Matters: How Companies are Evolving Board Evaluations and Disclosures](#) list the following as the major focus areas for Board Performance reviews:

- Board composition, including skills and diversity
- Review efficiencies and effectiveness of board leadership
- Director independence
- The handling of meetings
- Information sharing processes and their effectiveness
- Gauge the quality of boardroom discussions
- Asses relationships among directors and also the relationship between executive directors and the board
- The strategic nature of discussions
- Board diversity; age, tenure, gender
- Committee responsibilities and effectiveness
- Rotation of Committee compositions
- Individual director effectiveness.

The best way to carry out Board evaluations is to use an independent Consultant. The valuation should focus on evaluating the performance of various facets of the Board operations. The following are some of the focus areas depending on the objective of the evaluation.

1. Board Evaluation - This assessment focuses on the performance of the board in terms of how it is fulfilling its role. This is where issues like quality of discussions, diversity, adherence to general good governance by the whole board are assessed. This can be done through a

questionnaire to be completed by all Board members. Over and above the questionnaire you may want to consider doing interviews with each board member to gain more qualitative information. There is also an opportunity to review Board minutes by the Consultant to gauge how the Board operates.

2. Committee evaluation – This assessment focuses on the quality of input of each committee into the board decision making process. Committee members do a self-assessment of their committee but also other non-committee board members are given an opportunity to assess the committee. Interviews can also be carried out to dig deeper into the operations of each committee and how effective it is.
3. Board members evaluation - This assessment now focuses on the evaluation of each Board member on pre-agreed competencies important to the effectiveness of the board. The member will evaluate themselves and each board member will also evaluate each of the board members.
4. Chairman evaluation - This evaluation focuses on the leadership of the chairman. The chairman will do a self-assessment and all other board members will evaluate the chairman. This can also be followed by in-depth interviews to gain qualitative data on the leadership of the chairman.

The outcome of the four assessments above is detailed reports which show current performance and performance gaps. The report may also include action plans to address the identified performance gaps.

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