

Does your board regularly take an objective look at itself and its relevance to the needs of the company?

Author: Carl Tapi . October 2019

The increasing stakeholders' expectations, difficult economic conditions, pressures of globalization and increased regulatory requirements have put Company Boards performance on the spotlight. Boards have recognized that it would be important for them to continually assess how effectively they are performing their roles against set objectives and goals.

A Board performs three major roles in a company. Firstly, it provides direction i.e. sets the strategic direction of the company. Secondly, it monitors the performance of the senior management team. Thirdly, a board provides support and advice to the senior management team. Board evaluation examines these roles of the Board, its responsibilities and assesses how effectively these are being fulfilled by the Board.

Unless a board has completely relinquished its responsibility, its performance must have a significant impact on the performance of the company, particularly over the longer term. Improving the effectiveness of the board and raising its performance is important in ensuring the ongoing prosperity and survival of the organization. If the Board is not as effective as it needs to be in today's fast-changing and demanding environment, it will have an impact on the company.

A comprehensive approach to improving a board's performance starts with a fundamental review of the board, what it does and how? This must be done from a strategic perspective, against the changing background and needs of the company. The Board Evaluation should explore the following:

1. **Board Structure** - *its composition, constitution, diversity of skills, competencies of the members, Board and Committee charters, frequency of meetings and procedures.*
2. **Dynamics and Functioning of the Board** - *annual Board calendar, information availability, interactions and communication with CEO and senior executives, Board agenda, cohesiveness and the quality of participation in Board meetings;*
3. **Business Strategy Governance** - *Board's role in company strategy;*
4. **Financial Reporting Process, Internal Audit, and Internal Controls** - *The integrity and the robustness of the financial and other controls.*
5. **Monitoring Role** - *Monitoring of policies, strategy implementation, and systems;*

The results of a board evaluation must be assessed by the Board and consideration should be given to various ideas and options for improvement and change. The best way forward can then be agreed and plans made, followed by implementation and further review. It is recommended that boards use an external expert facilitator to help in carrying out board evaluations to ensure objectivity of the findings. Whatever appraisal procedure a board adopts, it should identify areas where individual directors could

and should improve their effectiveness.

In addition, every director should understand his or her specific role and function as part of the board and be familiar with the roles and functions of the other directors. Familiarity with a company balance sheet and profit and loss account, sources and methods of funding, cash flow and other financial parameters is essential for every board member.

Any board member who is uncertain of any of these matters should put the time aside for some structured learning, often in the form of a board induction, courses or workshops. This is a prerequisite for any person who is being appointed a director for the first time. In addition to these basic requirements, directors need to develop certain personal skills, acquire knowledge appropriate to their role and be constantly aware of the changing environment in which they and the company operate.

Underperforming directors that are identified through the board evaluation process should be carefully counseled. The board improvement action plan, like all performance appraisal approaches, should include specific and measurable KPIs and the chair of the board, or a relevant committee of the board should be responsible to oversee its implementation over the ensuing year. The board's improvement action plan forms the basis, or at least the starting point, for the following year's board evaluation process.

Carl Tapi is a Consultant at Industrial Psychology Consultants (Pvt) Ltd, a management and human resources consulting firm. <https://www.linkedin.com/in/carl-tapi-45776482/> Phone +263 (242) 481946-48/481950 or cell number +263 772 469 680 or email: carl@ipccconsultants.com or visit our website at www.ipccconsultants.com

<https://thehumancapitalhub.com/articles/Does-Your-Board-Regularly-Take-An-Objective-Look-At-Itself-And-Its-Relevance-To-The-Needs-Of-The-Company>