

Governance Newsletter

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M. J. SMITH
& PARTNERS

Board of Directors Performance Review

Since the corporate scandals and collapses of the 1990s and the early 2000s there has been a growing emphasis on Board of Directors (Board) accountability and performance scrutiny. It has also been noted that members and shareholders perceive good Board Governance as an indication of an organisation that improves members services and enhances shareholder value. The accumulation of these issues and many others has led to the increasing trend of Board Review and Evaluations.

For an organisation to perform at its full potential there needs to be a culture within the organisation that fosters and promotes efficient and effective systems. Good Governance and Performance Systems; i.e. Board Review, are measures that ensure organisations perform at their peak. The implementation of these measures must start at the top of the organisation, then filter its way into the lower hierarchy.

Importance of Board Performance Review

Boards are responsible for the strategic direction of the organisation, internal culture/values and the formulation of organisational objectives and mission. Board Performance Review allows members to measure their performance and see how effective their contributions are towards the achievement of organisational objectives.

The process of Board Review and Evaluation also fosters Board and organisational development, including but not limited to:

- Team building;
- Improved communication;
- Cohesion of operations;
- Aligning operations with objectives;
- Clarification of roles and responsibilities;
- Development of shared understandings;
- Greater understanding of organisation; and
- Learning/growth.

What is Board Performance Review?

Board Performance Review can be the process of self assessment. There are many forms of Board Performance Review, a common approach occurs whereby the Board assesses their contributions, procedures and behaviours in order to evaluate their efforts. Firstly the Board may assess the extent of their contribution to the organisation through promotion and adherence to the objectives of the organisation. The Board may then assess internal procedures and behaviours relating to the following areas:

- Strategy and Planning;
- Board of Directors Structure and Role;
- Meetings and Operations;
- Performance Monitoring; and
- Culture and Relationships.

Data can be collected and reviewed by either an internal sub-committee or an external consultant. Depending on the process of the evaluation and available resources, data collection can take the form quantitative; surveys, or qualitative; face to face interviews, observations or document analysis.

As endorsed by renowned director, Henry Bosch, there are four key issues which are essential to a Board Evaluation:

1. "Do the members understand and agree on the key functions of the Board - what they should be doing?"
2. Are those functions being properly performed and is sufficient time being allocated to them?"
3. Have the most essential objectives been agreed and are they being achieved?"
4. Can the Board's administrative and operative arrangements be improved?"

It is recommended that Boards engage in a performance review activity annually.

Scroll down to complete a Board Evaluation Quick Check.

Be sure to look out for Issue 6 of the MJSP Governance Newsletter in September.

Governance Effectiveness Quick Check

How effective is your Board? Take this Quick Check to find out!

This Governance Quick Check is designed to provide you with a brief overview of the effectiveness of your organisation's Board and CEO. Please rate each statement according to your perception of how well your Board attends to each of these matters.

Please rate each statement on the following scale:

SA – Strongly agree A – Agree U – Unsure D – Disagree SA – Strongly disagree

The Board always works towards the organisation's Mission and Values.	SA	A	U	D	SD
The Board's performance is measured against the organisation's Business Plan and Objectives in the Constitution and Rules.	SA	A	U	D	SD
The Board and the CEO demonstrate clear understanding of the respective roles.	SA	A	U	D	SD
Our Board has a Code of Conduct in place.	SA	A	U	D	SD
All Board Members abide by the Code of Conduct	SA	A	U	D	SD
The Board and the CEO have a productive working relationship.	SA	A	U	D	SD
The Board has recently reviewed the CEO's performance.	SA	A	U	D	SD
Conflicts and decision making processes are managed well within the Board.	SA	A	U	D	SD
The Board is aware of issues affecting its members and the community.	SA	A	U	D	SD
The Board and the community have a good two – way communication system in place.	SA	A	U	D	SD
All Board member's act ethically and avoid / declare any conflicts of interest.	SA	A	U	D	SD
Board meetings are well managed.	SA	A	U	D	SD

If you answered Disagree or Strongly Disagree to any of these statements, it possibly indicates that your Board is not performing effectively in the governance area. To obtain a personalised score and further understanding of how your organisation is performing in the Governance area, please fax or email your returned form to (07) 3839 1299 or mark@mjsp.com.au or contact the office on (07) 3839 1233.

Effective governance is fundamental to the success of any Board.

MJSP can provide you with advice and support in establishing and maintaining effective Board and Corporate Governance. Our specialists are certified members and graduates of the Institute of Company Directors. We can provide assistance in the following areas: Establishing Boards of Management, Board Practices and Protocols including Performance Monitoring, Board Review, Role clarification and Evaluation; and Evaluation of Board Effectiveness.