

The very behaviours that help people secure a Board position may be counter productive when they serve on a Board.

Senior executives, directors or managers can feel that their Board seems to have the right to scrutinise their performance, but they have little recourse to scrutinise the Board.

How can personality conflicts be tackled on a Board? When member interaction is so poor it impacts performance – what can you do about it?

What happens if there is a stand off between an Executive Team and their Board? When there is a loss of confidence one or both ways.

Do Boards have a duty of care to evaluate their own performance as part of a pro-active continuous development and strengthening process?

Is the behaviour of your Board members counter-productive?

Securing a board position can be a competitive process for many people. They may need to lobby, influence, spend years building their credentials or waiting their turn. Then their chance comes, they get elected (or asked to join) and their behaviour seems to change. Their performance isn't what was expected. We can accept there is often an initial period when they are getting use to their new position, finding their feet and coming to understand their role. But even following this "*honeymoon*" period their performance often remains different from what was expected. Their behaviour may even have a detrimental impact on the rest of the Board itself.

At Board meetings they may behave in an adversarial way, always challenging but not constructively. They may seem to compete for the time and attention of the Chair and have "*off the record*" discussions with the Chair on a regular basis. Their style can be very much that of a competitor.

To work effectively Boards need to operate on the basis of co-operation and constructive input. All voices around the table need to be equally heard and respected. When decisions are made they need to be acted upon with one shared attitude. Even when decisions split the voting, Board members need to understand that the debate should stay in the Boardroom and not continue out in the wider organisation.

While the Board itself needs to maintain a competitive focus or outlook, the Board members themselves (or for that matter the members of an Executive Team) need to work together in the spirit of co-operation. A significant challenge that new Board members often face is whether they can shift their habits from Competing to Co-operating. They are now at the Board table and their views have equal weight – they no longer need to compete to have their views noticed – they are now on the Board.

There is much Boards can do to support a new member as they acclimatise to their new role and adopt a co-operative style of working. This can start with individual development for the new member and move to include regular reviews (using an agreed format) concerning their role.

If the Board has a formal and accepted review or evaluation cycle already in place this will clearly help. If each member's role, performance and behaviour is reviewed on an established and regular basis this will reinforce the importance of such reviews. Establishing a normative process that seeks to strengthen individual and the collective performance and behaviour (as perceived by each other and the organisation served) can only help. This can be extended to the Board as a whole through a Board Evaluation.

Boards that put in place a regular Evaluation cycle are often seeking to:

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

“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*

Your can scrutinise us, why can't we scrutinise you?

Senior executive teams can feel that continuous improvement is a “*one way street*” – with the Board having the inherent right to comment, critique or evaluate the executive team but not the other way around. Yet good governance models would surely advocate that any review should operate both ways.

The performance of Boards and the Executive Team are crucial to the success of the organisation itself – this is almost self-evident. A Board-Executive Team relationship that is based on mutual respect, shared values and a sense of a common vision is more likely to lead the organisation in a positive direction and towards positive outcomes. A Board that accepts and willingly adopts a regular Evaluation of its performance and behaviour sends a clear and positive signal to all employees of the organisation – “*we feel it is important to challenge our own performance to ensure we are effective in the role we play*”.

Insight Quotes

“A Board Evaluation definitely adds value as it gives fresh insight and ideas, it helps us think differently”

CoSec - FTSE 100

“Every Board can Improve”

Neville Bain, Chairman IoD

“Well governed companies will produce better returns for shareholders over time”

Association of British Insurers

“There is no proven direct correlation between the existence of a Board Evaluation and the bottom line, but... “Companies with strong, 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)

What can be done about poor Board member performance?

The answer is simple – don't let it get that far. A Board Evaluation is a proactive tool that enables a Board to self-reflect on performance and the behaviours of members. Organisations that put in place such evaluations reduce the risk of finding themselves in a position where conflict has arisen between different members or between Board Members and the Executive Team officers. Even if there is an internal Evaluation process in place, conflict may still arise - or the process may have become neglected or mis-used. Then, the Board must draw on a higher level of intervention and bring in an established tool and process for managing such situations – in other words, they must draw on a proven, dynamic, evidenced external Board Evaluation, run in clear view of the entire organisation.

Board Evaluations can establish benchmark performance and behaviour standards when they are independently undertaken. Such evaluations can cover all or some of the following topics:

- **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

An effective, independent and regular Board Evaluation will help prevent stand-offs between a Board and its Executive Team.

The reason is again quite simple – by accepting an Evaluation process is needed both the Board and the Executive Team are accepting that their performance and behaviour needs to be reviewed as part of a constructive and ongoing development process. By formally adopting the need for a review, both teams are also sending a powerful signal to the rest of the organisation – “*we can all benefit from review processes and tools that help us grow from strength to strength*”. The organisation, right from the top, is then a genuine, positive role model for open and honest debate and review of performance behaviour.

Because Board Evaluations are best implemented by external third parties the organisation gains an advocate and an ally who can provide objective feedback and help broker positive resolutions to any pre-existing disputes.

If implemented effectively the Board Evaluation process can identify challenges very quickly can help to prevent these challenges distracting the organisation away from its focus, aims and objectives.

Do Boards have a duty of care to evaluate their own performance as part of a pro-active and continuous development and strengthening process?

In a word – yes.

Why? For many of the reasons outlined in this article and for one reason above all others – by evaluating their own performance Boards strengthen the behaviours of each member and the Board as a whole increasing the likelihood that the Board will then become a positive role model for the rest of the organisation.

Simply because you are on the Board, it doesn't follow that you will automatically lose established behaviours and habits that may have tripped you up in the past – those are the habits you will need to watch and monitor. A Board Evaluation is as much about strengthening the “*soft*” behaviours of individual members as it is about ensuring the “*hard*” processes and structures are in place and working effectively.

For a Board Evaluation to be effective for your organisation you should ensure it adheres to the following critical success factors:

1. It is facilitated by independent people external to the organisation

2. That contributions remain totally confidential and unattributed
3. That it does not over engineer or under engineer
4. It defines expected outcomes and measures them
5. The exercise is designed to be “easy” on the members time
6. The members understand the value of their contribution
7. The Board is reminded that this is for the greater organisation
8. That the process protects members
9. That external experienced customer / stakeholder / supplier contributions are included
10. That the delivery must be rigorous
11. The content must be robust
12. The Chair needs to drive the change

Ask an Expert

If you would like to know more about how to engage support for your Board's continuous improvement, review your compliance to the Excellence in Governance Code or to carry out a Board Evaluation, then please get in touch to organise your free consultation with one of our specialist consultants / advisers.

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