

Board Reviews – The Good, The Bad and The Ugly

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If board effectiveness reviews are, for the most part, a world away from the violence and tension of the 1966 film, 'The Good, the Bad and the Ugly', the film's title nevertheless seems to describe well some of the perceptions about board reviews. Certainly, if improved board effectiveness is the treasure that such reviews aspire to find, the journey to get there, as in the film, can often be chaotic or even at times traumatic. So it was with this in mind that *The Board Effectiveness Guild* in conjunction with *Governance* magazine, recently held a roundtable webinar for non-executive directors from a range of corporate backgrounds - under the title of 'Board Reviews – The Good, The Bad and The Ugly' - to better understand their perceptions about the value and usefulness of such reviews. This article summarises some of the key points taken away from the roundtable.

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The Good

Going into the discussion, it was clear from the initial comments from attendees that effectiveness reviews can be a useful governance mechanism for boards. A straw poll at the start of the discussion showed that nearly all of the attendees agreed that these reviews are more than a necessary evil. Furthermore, when asked about their aspirations for the discussion, there was a common desire to understand how board effectiveness reviews could be better structured to enhance their value and usefulness to the board and its stakeholders.

In discussing what makes a board review effective and worth the effort, a number of facets were highlighted:

- **Mindset:** Reviews need to be driven by a collective board desire to be challenged.
- **Dynamics:** A good review will focus on whether the board works effectively together and probes the board's underlying dynamics. If directors do not enjoy board meetings, the reasons need to be drawn out.
- **Priorities:** Of equal importance is the need to look at how the board agrees its priorities, particularly its understanding and support of strategy and the risk profile of the organisation.
- **Mechanics:** The mechanical aspects of the board process like length of meetings, minutes, papers need to be challenged to ensure that they help the board to do what it needs to do.
- **Metrics:** It is helpful for boards to be guided about possible ways to measure themselves against others in their sector.
- **Output:** A short and focussed report with a small number of clear recommendations for how the board can work together more effectively is a desired outcome.

The Bad

A number of characteristics of a bad board review process were identified. Often the root cause of such a review will be poor motivation which results in the review as simply being a tick-box exercise without underlying purpose or intent. This can often be the case in regulated businesses where such reviews are conducted to satisfy the regulator rather than for more beneficial reasons. Poor motivation can be compounded by superficiality if the exercise lacks honesty either in the interviewing or the reporting. The findings from ineffective reviews are often sugar-coated when there are hard messages to deliver and avoid the elephants in the room. Poor ownership of or engagement with the process by the Chair will often be a contributory factor in an ineffective review process.

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There is a huge challenge for companies, especially ones in regulated sectors to spend a lot of time on compliance issues which creates limited bandwidth for other matters. Whilst the mechanics are an important contributor to board effectiveness, poor board reviews can be so focused on compliance that they ignore discussion about the quality of board time and bandwidth devoted to strategy, stakeholder issues and other mission critical topics.

Board composition is often a regular point of discussion in board reviews but these discussions can be self-referencing or reinforcing and as a result do not properly engage with the diversity of the board or the evolution of skills and experience needed for the future.

The Ugly

The methodology used for board effectiveness reviews can be unhelpful – in particular the use of questionnaires for external reviews which, it was agreed, do not draw out the board dynamics and focus on what is really important. By contrast, the value of the one-to-one conversations between individual board members and the reviewer was recognised but with the caveat that it is key that they quickly get to high levels of openness and honesty without which reviews become as superficial as questionnaires can be.

The way in which board reviews are described and therefore understood was seen as particularly unhelpful because it tends to prescribe the board’s understanding of the review usually in a negative way which suggests that the exercise is all about compliance, audit and generally checking up. Language which helps broaden the understanding of the purpose of board reviews would therefore be welcome.

The Ending

It was clear from the discussion that no-one is under any illusion that further work is needed to improve the overall standard of board effectiveness reviews both in terms of quality of the reviewer and engagement in and expectation of boards. However, equally it was recognised that progress is being made. In a poll taken at the end of the session, over two thirds of the attendees agreed that they were confident of getting more out of their next board review than the previous one. The journey therefore continues, even if it does not yet have the same sense of conclusion as the ride into the sunset at the end of the film!

About The Board Effectiveness Guild

The Board Effectiveness Guild is a membership organisation for independent board evaluators. Its central purpose is to share best practices, contribute to thought leadership and promote the value of board effectiveness reviews in board development and practice.

<https://theboardeffectivenessguild.co.uk/>

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