

Board Effectiveness

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The key drivers of effective corporate governance are;

- Effective, high-performing directors, committees and boards, and
- Well-designed executive and director remuneration arrangements

Just as people and organisations cannot learn or improve their performance without feedback, boards and directors can also become more effective by undertaking regular reviews of their performance.

Companies can extract the greatest value from such a Board Effectiveness Review by:

- Assessing how they compare to high performing boards
- Assessing how they have improved their performance over time
- Focusing on their 'blind spots' (which may be evident to an independent third party but not always obvious when a board undertakes a self-assessment)
- Taking action through board renewal and/or development

A method to monitor whether the board's performance is improving over time is to ask directors to take a Board Pulse Check at the end of every meeting. Using an App on their mobile phones or tablets, directors complete a short questionnaire at the end of the meeting to provide feedback on the chairing, agenda, dynamics and meeting outcomes. This means that the annual Board Effectiveness Review is based on confidential and anonymous information from every director, at every board meeting throughout the year. Performance is assessed continuously, rather than as a snapshot at a particular point in time.

Effective boards not only focus on continuous improvement, but are also able to recognise when they need to engage in board renewal, in the light of changes to their strategic direction or in the external environment. The first step in a board renewal exercise involves developing a clear understanding of the skills and capabilities required for effective governance and leadership in the future – that is, the construction of a Board Skills Matrix.

Finally, effective boards employ good-governance guidelines, structures and processes to ensure that they diligently fulfil their duties to shareholders. A comprehensive corporate governance audit can identify gaps or areas requiring strengthening, and in particular, can focus attention on areas where there is a mismatch between what is stated in governance documentation (such as committee charters, by-laws etc.) and what actually happens in practice.

More specifically, effective boards also periodically undertake a review of remuneration governance to ensure compliance with corporate governance principles and recommendations, and to ensure that expectations of investors and proxy advisors are met.

Contact us for more information.