

Do Effective Board Evaluations Make a Difference?...And Who Cares?

Written by Michelle Ronco

Like most individuals at the beginning of a new year, the XCEO team started off with self-reflection and analysis. We wondered aloud, does what we do matter, and who cares? As you may have asked yourself in your personal life when the clock strikes midnight, we asked, what did we do right last year? Where might we make improvements? Corporate governance, personal leadership, and board succession, when effective, we believe, are fundamental to driving shareholder value. This is the cornerstone of business, we reasoned, nothing short of it. So, as we do periodically, we reviewed our products and services, our team and client support in order to understand if we add as much value to our clients' governance and leadership initiatives as we believe.

Why not go to the source? We have built tools and processes to augment our consulting services for boards and directors who are interested in improving their overall effectiveness. Instead of relying on input solely from our own team, in November we launched a survey in an effort to better understand how boards conduct evaluations. Since partnering with boards in delivering cutting-edge, comprehensive board assessment solutions is our method for delivering value, we asked our customers how information is provided to them and their boards, whether boards are effective in assessing themselves and their directors, and finally, how the questions/statements, processes and analysis of board and personal assessments affected dialogue, and ultimately, action.

The short survey of 12 questions elicited noteworthy responses. Interestingly, the average overall score for the entire survey was 4.43, on a scale of 1-10. We interpret this to mean that the respondents to our survey do not believe that their board's current assessment processes save time, are confidential, offer meaningful benchmarking, or provide tailored reports.

The most negative response was associated with current board report processes allowing for convenient access of the CEO/President, board and personal assessments from one automated, on-line location. The most positive statement was that almost all of our respondents agreed or strongly agreed that they were interested in improved processes for satisfying regulatory requirements and providing better feedback for directors. Finally, the question with the most deviation was regarding time savings. The comments suggest that less effective assessment processes mean that perhaps boards do not spend a significant amount of time on providing industry data, benchmarking, or customized data.

The responses we received from our survey are not unexpected, although I must admit that I was surprised by the low overall scores. Two important reports published over the last couple of years seem to confirm our findings that a large percentage of directors see their board assessments as ineffective, and that evaluations can affect the way in which boards make decisions and/or take action.

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Although many directors see their current system of evaluations as ineffective, they are eager for improvements. As reported in the McKinsey Global Survey Results in 2011, "Many directors are calling for more constructive board discussions. High-quality debates can be fostered by methods such as challenging the key assumptions behind management's proposals, exploring various biases that board members bring to the table, and conducting annual evaluations of individual directors to assess the degree to which they contribute."

Promisingly, evaluations seem to matter when it comes to taking action. According to the PWC Annual Corporate Directors Survey in 2012, "Two-thirds of directors (66%) reported that their boards made changes during the last 12 months as a result of their full-board or committee self-evaluations. The most common changes include seeking additional expertise to join the board (35%) and changing the board committee composition (30%)."

The good news for our team is that we did do many things right last year, such as creating an powerful and cost-effective offering called Productivity Services, as well as launching BoardPortal PLUS®, a cutting-edge, no cost portal for boards. The best news is that there continues to be a need for our services as we move swiftly into 2013. As reported in the same McKinsey report quoted above, "One-third of boards never evaluate individual directors, for example, and among those that do, 42 percent of board members view those evaluations as ineffective. Similarly, more than half of respondents report a need for improvement in the training of new members on their boards."

Our interest was in learning how boards are evaluated, and if our networked, comprehensive and secure system will continue to be of value to boards. We inquired about improvements, convenience, benchmarking, automation, security, flexibility and the tailoring of data for the board and we have found that what we do, in fact, does matter. We will, then, continue to design products that make a difference in the boardroom and offer services that support directors in their desire to best contribute to their boards. I hope that in your own reflection, personally or professionally, you have reached a similar conclusion and are as excited as we are to have twelve new months of success before the next time for ultimate reflection strikes again.

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