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## **A TYPICAL BOARD REVIEW**

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Boardroom Partners has an excellent track record of assisting with performance reviews of boards and identifying ways in which boards can improve governance. We have developed a comprehensive model for review that can be tailored to the specific needs of any board.

No two board reviews are the same but many share common elements. Like any exercise, the benefits gained are directly related to the effort expended. Many clients have a clear idea, when they commission Boardroom Partners to facilitate a review, of their broad objectives. This will affect the design of the particular approach.

Other clients embark upon the exercise because they believe it is a good thing to do; they are seeking to indicate to shareholders that they are taking their governance role seriously or because they are seeking to improve performance. In cases where there is no dominant outcome specified, Boardroom Partners will suggest various alternatives for consideration.

### **STAGES OF THE REVIEW PROCESS**

Our experience tells us that there are certain core steps in any successful review process. While the emphasis is different for every client, the key parts of the process are:

#### **1. Discussion with the person commissioning the review**

The discussion would establish the background of the review, the key business issues facing the organisation, the board's principal roles and the key issues affecting the board's situation. An agreement would also be made on both the review model and process to match the organisation's situation.

The discussion would identify the key participants for the review. This would generally include all members of the board, senior members of the company management and key stakeholders (shareholders, customers and suppliers.) With government, Ministers and advisors may be included.

Research into the background of the company may also occur. This would provide an assessment of the operating environment, highlight issues and major trends in the industry and allow us to become familiar with any previous review work.

#### **2. Prepare suitable questions**

Usually, the intent and phrasing of the chosen questions would be discussed with the chairman prior to interviewing the participants. There are standard sections that would normally be included in order to cover generic matters and allow for comparisons with other boards. Each client will have different issues and the selected questions reflect the discussion points.

### 3. Collect responses in the most appropriate way

If interviews were a part of the process, then one or more principals of Boardroom Partners would then conduct these with each of the agreed participants. Using a third party guarantees responses are kept confidential which encourages participants to contribute in a full and frank way. In some cases, participants would complete questionnaires or respond to on-line surveys. Generally, interviews are conducted face to face, but these can be completed by telephone if costs and/or availability are at a premium. Interviews typically last for around an hour, and include structured and open-ended questions.

### 4. Collate responses and prepare a report

### 5. Present to the board and assist with implementation

## FRAMEWORK FOR REVIEW

Boardroom Partners has identified four key areas of the board's operations which form the basis of our quadrant model. A typical board review would usually include questions and research on each of the following dimensions:

**WHO** is on this board and why?

**WHAT** are the role and functions of this board?

**HOW** well does this board go about its business?

**WHEN** does this board make a difference?

We have developed a bank of questions for each of these sections, which is customised, for each client. The format of questions also varies from client to client - some self administer, others involve interviews. Questions are prepared accordingly.

Where a board wishes to review individual contributions, a second set of questions, using the same format, is available. Again these follow our four quadrant format and explore the dimensions of the board described below:

**WHAT** do you bring to the board?

**HOW** effective do you use your skills and expertise?

**HOW** do you rate your contributions?

**DO** you practice good governance?

An example of the questions and format used in one of our assignments is shown below. (In this instance, directors all completed a short questionnaire identifying key issues and were then interviewed about matters arising.)

<b>STRATEGIC DIRECTION</b>	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
The Board plays an effective role in establishing strategic direction for the organisation	1	2	3	4	5
The strategic direction of the company has been effectively communicated to management	1	2	3	4	5
The Board has seen and approved an effective business plan for the enterprise	1	2	3	4	5
Effective and appropriate action plans and budgets have been developed to carry out the company's charter and to ensure its long term viability	1	2	3	4	5
The Board has a regular review process for monitoring the implementation of strategy, business plans and budgets	1	2	3	4	5

## **REPORTING TO THE BOARD AND IMPLEMENTATION**

Once information is collated and evaluated, it will be presented back to the board for consideration. This generally involves:

- A written report to the board that identifies the key issues relating to board performance records the process of review and highlights areas for improvement.
- A presentation to the board where there is the opportunity for some discussion of the findings and some consideration of the way forward.
- A workshop to agree implementation, timing and responsibilities.

The board's objectives, available time and resources will determine the most suitable option. The decision on reporting rests with the clients. We have worked with many different clients and reached good outcomes through different methods each time.

## **COMPARISONS WITH OTHER BOARDS**

Industry 'norms' do not really exist in Australia for boards. While some quantitative data is available on such things as size of board, remuneration of directors, time spent on boards meetings and the like, qualitative comparisons are much harder to obtain. This is because the role that boards choose to adopt within their enterprise varies considerably from one to another. We have our own '20 Best Practices', and we tend to use this quick ready reckoner as a part of the review process, but it acts more as a checklist of activities rather than an absolute comparison. The principles developed by The ASX Corporate Governance Council, and other 'standards' are also useful as a broad measure of comparison with others.

Over the years, we have built 'benchmarks' from results to core questions that are included in each review. These provide a good yardstick for comparison and each review is built in to this growing database.

We find that the most requested type of comparison is from boards wishing to know if their issues are common or peculiar e.g. the allocation of time; the silent director; the style and form of minutes or the responsibility for review of CEO performance.

All of these are issues with which we can speak with some authority, based on the variety of board reviews we have completed in our years of experience.

There will be other comparisons that will emerge from the review that the board may find significant. For example, it will be possible to compare the responses of participants on individual issues. Participants may agree that board meetings are run in an efficient manner, but may disagree about the time allocation in board meetings.

It will also be possible to compare answers from one participant to another or one group of participants to another group. Stakeholders and the board will have quite different views on the same criteria and this may warrant explanation.

Comparisons are also possible by the board itself on relative performance from year to year. If the board gets into the habit of reviewing its performance on an annual basis it will be easy to compare assessments on particular issues and monitor progress.

## **COSTS**

We prefer to agree to costs upfront recognising that every assignment is different. Some organisations include a review of individual directors in the exercise, which adds to the cost but deals with the problem of under performing directors. A very basic board review process might be completed in 8 to 10 consulting days, whereas a full review of the board and individual directors could involve significantly more time, and therefore costs.

Once the nature of the review is established, we will assess the time required and provide a firm quote.

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