

## 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 approach taken to the design of the specific review.

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.

### **COMMENCING A REVIEW**

A typical board review commences with a discussion with the person commissioning the review, who in most cases is the Chairman of the board. During that meeting we would establish the background to the review, the key business issues facing the organization, the board's principal roles and the key issues affecting the board's operations. We would then advise on the most appropriate model for the review to maximise its effectiveness.

Identifying the key participants for the review is the next stage. They might usually include all members of the board, senior members of the company management and key board stakeholders (shareholders, customers, suppliers, government, Ministers and so forth).

Once the extent of participation has been established, some background research would be conducted. This might include an assessment of the operating environment; identification of major trends in the industry; researching the regulatory regime in which the organization operates; becoming familiar with any previous review work, and any other relevant materials.

Next a set of questions (more than one if necessary) would be prepared to cover the key issues with all the participants. Usually, the intent and phrasing of the chosen questions would be discussed with the chairman prior to interviewing. There are standard sections that would normally be included in order to cover generic matters of governance but each client is different and the questions should reflect the particular items raised at our discussion.

One or both of the principals of Boardroom Partners would then conduct interviews with each of the agreed participants. Using a third party such as Boardroom Partners guarantees the answers are kept confidential which encourages participants to provide full and frank responses.

In some cases, participants complete questionnaires and return them to Boardroom Partners for processing prior to interviews; this allows time to consider the issues and also makes good use of the interviewers time in pursuing matters of substance.

Ideally, 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. The results are then collated quantitatively and qualitatively.

**COLLECTING INFORMATION/ QUESTIONS**

Boardroom Partners has identified several key areas of the board’s operations about which information is generally sought. A typical board review would usually include a gathering of views on the way in which the board understood/acted 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 we customise, for each client. The format of questions also varies from client to client- some self administer, others involve interviews. Questions are prepared accordingly.

An example of the questions and format used in one of our assignments is shown below. (In this instance, directors all completed a questionnaire, returned it to us for collation and were then interviewed about matters arising.)

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

Likewise questions designed to be answered in a qualitative way are available for each of the key areas. Finally specific questions relating to the company's designated areas of importance are designed for each client. These may include the building of a new board; the development of Performance Indicators for ongoing use; the audit of skills and competencies on the board; the identification of the best ways in which the board can add value to the executive etc.

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

Once this information is collated and evaluated, it will be presented back to the board for consideration and resolution. We find that 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 board workshop where agreement is reached on 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.

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 problems of time allocation; the silent director; the overly long minutes or the CEO reviews. All of these are issues with which we can speak with some authority, based on the variety of board reviews we have completed over the last few years.

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. We often find that stakeholders and the board have quite different views on the same subject.

Another comparison that is possible will be the relative performance of the board 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 from one year to another to determine whether performance is improving or not.

## **COSTS**

We prefer to agree to costs upfront recognising that every assignment is different. Some organizations 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 5 to 10 consulting days, including the briefing, producing questions, interviewing, collating, producing a report and presenting back to the board.

Once the nature of the task is known, Boardroom Partners would assess the time required to complete the task and provide a firm quote.

### **About Boardroom Partners**

Boardroom Partners commenced business in 1999, and the principals of the company have an additional 5 years of experience in non-executive-director (NED) search beyond that. We have successfully undertaken searches in many areas – state and federal government; private companies; co-operatives and mutuals; listed and unlisted public companies; universities, theatres and charities. We have worked with Top 50 companies, the largest government organizations and the smallest start-ups and joint ventures where the companies were at very early stages of evolution.

Additionally, we have a large and diverse data base, made up of candidates identified in previous searches; referrals from executive search companies; individuals who have applied to us for assistance in their search for non-executive work, and others who we feel would make outstanding directors.

References are available on request and would be provided to suit the client and offer some degree of comparability.



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