

REALBoard Advisor

Tips to become R – Results-focused E – Excellent A – Accountable L – Linked to Shareholders/Owners

Board Self-Evaluation

Many boards seem to get tied up in knots about the process of self-evaluation, spending a lot of time talking about “how to” do it, but not getting down to actually DOING it. If your board has been struggling in this area, this article will be of some help.

As with many endeavours, it’s often tempting to simply ask the “how” question without placing it in the context of “why”? In this regard, I find the old Rudyard Kipling poem to be a good guide:

I keep six honest serving-men
(They taught me all I knew);
Their names are What and Why and
When
And Where and How and Who.

WHAT is Board Self-Evaluation?

Board self-evaluation is simply an *organized process* by which the board regularly re-examines its collective and individual performance, and then reaffirms its commitment by identifying plans for improvement.

WHAT Should You Evaluate?

The content areas for board evaluation should include all aspects of governance. Your Governance Process policies should already have set out your expectations for yourselves. This proactive approach means that you are evaluating yourselves against criteria that you have predetermined. (If you are not using Policy Governance® and have not developed policies about how the board should govern, then that should be your first step.) At

minimum your policies should address the following content areas, which then become subject to your self-evaluation:

Board linkage with moral owners

- Has your board discussed and clearly identified those to whom it is morally accountable (the share holders or “moral owners”)?
- Have you developed *deliberate methods* of regularly hearing from these owners (not just telling them what you’re doing, but *listening*), and demonstrating your accountability to them?

Focus on Ends

- Has the board set explicit expectations about the benefits the organization or company is to produce, who those benefits are for, and the acceptable cost of producing those benefits (Ends)?
- Does the board have a written schedule for regular review of those Ends in light of new information about owner needs, values and perspectives?

Clarity of delegation

- Has the board clearly committed itself to speaking to the CEO with “one voice” through written policy?
- Has the board clearly specified – if it has a CEO – that all instruction will be given only to the CEO?
- Does the board have explicit

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The relocation means that we are losing our long-time Executive Assistant, Marlo DeVouge, and Administrative Assistant Karen Nielson, who have chosen to remain in Edmonton. We will miss them greatly. We will be welcoming Marian McLean as our new Executive Assistant.

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policy regarding how it delegates to the CEO?

Empowerment

- Has the board clearly defined the boundaries of prudence and ethics within which the CEO is empowered to achieve the Ends?
- In particular, has the board considered areas of material risk in developing these limitations?
- Has the board avoided writing “limitations” that are actually prescriptions in disguise, providing directions about “how to” achieve the Ends?
- Has the board explicitly stated that it authorizes the CEO to make “any reasonable interpretation” of its Ends and Limitations policies?

Accountability

- Does the board have policy setting out its expectation of receiving regular reports from the CEO that provide *evidence of achievement of the expected results* (not just descriptions of activities), and evidence of compliance with limitations?
- Does the board have a policy requiring it to thoughtfully review these reports and document its assessment?
- Does the board have explicit policy restricting itself from creating committees or officers that “help” the CEO or staff in areas that have been delegated, thus making accountabilities unclear?

Effective Board Process

- Does the board have policy around factors such as board size, selection and composition, so that they are optimal to do the best job of governing?
- Does the board have a policy describing its expectations and process for thorough orientation of new board members?
- Does the board have a policy that requires it to regularly discuss its own educational needs and develop a plan to meet them?

- Does the board have a policy permitting board committees only if they will help with a *governance* task and enhance board effectiveness, rather than interfering with the unity of the board?
- Does the board have a policy clarifying how it will obtain sufficient information on which to make well-informed decisions?
- Does the board have a code of conduct making clear its expectations of individual board members in areas such as attendance, preparation for meetings, conflict of interest, confidentiality, and participation in education?
- Does the board have policy requiring it to regularly evaluate its own function and behaviour?
- Does the board have policy setting out well defined processes for connecting with other relevant boards and other sources of information relevant to governing?

WHY Bother Doing Board Self-evaluation?

As a board, you are entrusted with the stewardship of resources on behalf of someone else – your “moral ownership” or shareholders. That places a moral obligation on you to use those resources most effectively – and I’m not talking about “approving” financial statements. I mean that you need to be able to show accountability for the organization as a whole. Is it achieving what it ought to achieve? The board sets the direction for the organization. If the board is not doing its job effectively, the whole organization suffers.

The board is responsible for its own development, job design, self-discipline and performance. These are not areas that can be delegated to the CEO. Self-evaluation is a way to assure yourselves and your ownership that you take accountability seriously.

Remember that the purpose of board self-evaluation is not to evaluate individual board members, but the performance of the board as a whole.

A good board self-evaluation should be:

- **Positive** – you will come away with a sense of what the board’s strengths are.
- **Constructive** – you will identify specific changes that need to be made.
- **Educational** – you will identify what you still need to learn about and make plans to learn it.

WHEN to Do Self-Evaluation?

Some board self-evaluation should be done at *every meeting*. At the bare minimum, time should be set aside at the end of each meeting for a brief evaluation of how well you have lived up to your “governance style” commitments during that meeting.

Compliance with *all* board policies in the Governance Process and Board-CEO Relationship categories (these are the categories of policies where the board is “talking to itself”) should be evaluated regularly. There is no one “right” way to do this. One of the best ways is scheduling a few policies for self-monitoring at each meeting. Some boards prefer to monitor all of the policies at one meeting once a year. The important thing is that they do get monitored. If you choose the first approach, you may still wish to set aside a significant period of time every several years, (frequency may depend on your board turnover), perhaps as part of a retreat, to comprehensively review your own performance.

WHERE Should You Do Self-Evaluation?

The regular self-monitoring of a few policies per meeting obviously occurs at the board meeting itself. If your board is one whose meetings are “open” to the public, you will need to consider whether you are

comfortable enough to include this self-evaluation as part of the “open” meeting, or whether you would prefer it to be “in camera.” Your values about how transparent you wish your board processes to be will influence your decision here.

For the periodic “retreat” approach, it is valuable to get away from your usual setting, to a place where disruptions are minimized, so that you can put concerted focus on the task at hand.

It is also possible to do much of the preparatory work for self-evaluation behind the scenes, using specific assignments to individual board members and email or web-based dialogue.

WHO Should Be Involved?

It is important that all board members participate in board self-monitoring. This is not a task that can be delegated to a person or a committee, although some aspects may be delegated. The CEO should definitely be included. If other members of staff regularly attend the whole board meeting, it would be valuable to obtain input from them as well. They may give you a new perspective on your board function. Input from an external coach may also be valuable. This might be in the form of written comment based on your board package and minutes, and/or periodic observance of your meetings.

For an in-depth retreat approach, you may wish to consider retaining an external facilitator.

HOW Do We Do Self-Evaluation?

Self-evaluation does not need to be difficult. There are a few simple steps.

1. Plan

As a board, decide in a broad way how you will proceed regarding end-of-meeting evaluation, and regarding structured evaluation of all Governance Process and Board-CEO Relationship policies.

End of Meeting Evaluation. The whole board can do this, using a simple form to jot down examples of when the board has behaved consistently with the style to which it has committed itself, and examples of when it has not followed those commitments. Or you may assign one board member at the outset of the meeting to be the “monitor”, who will keep track of these examples, and then report his or her findings at the end of the meeting.

Structured Evaluation of All Policies. Decide whether to schedule some policies for consideration at each meeting. If you go this route, actually develop the schedule. The frequency of your board meetings will influence this decision. Also decide if you will periodically have a “retreat”, and delegate responsibility for developing detailed plans to a board member or committee.

2. Set Performance Targets for the Board

Often when boards decide to do a self-evaluation, there is a grand search for a “form.” Evaluation should not be done against a set of generic criteria identified after the fact. The best board self-evaluation is based upon criteria that have been set in advance. Those criteria, in fact, are your **Governance Process and Board-CEO Relationship policies**, if you are using Policy Governance®. There is no need to run out and invent a new set of criteria. Simply go to your policies, and ask yourselves questions to determine whether or not you have followed them! (This approach to evaluation assumes that you have done a good job of policy development to begin with.)

If you are not using Policy Governance® yet, and have not developed a comprehensive set of policies, then the place to start would be with some basic questions about governance in general.

Discussion around these questions should help you determine some goals for further action.

It is important at this point to emphasize that **board self-evaluation is not about evaluating whether the organization has achieved its Ends, or whether internal management is consistent with board limitations**. That is evaluation of the CEO. Evaluation of the Board focuses on the Board’s own performance.

3. Gather Information

Decide on a method of gathering information from each board member regarding the policy or policies being monitored. This may be as simple as doing a “round table” discussion, focusing on each item in a policy and then asking yourselves to cite representative examples of your board behaviour that illustrates compliance or non-compliance with the criteria that you stated in the policy. It is useful to have the board recording secretary make notes of the discussion, so that you have a record of your evaluation, and in future can look back to see if you have improved.

Be careful here not to confuse “reviewing” the content of a policy with “monitoring” your compliance with it. Too frequently, board minutes under the agenda item “self-evaluation” read like this. “The board determined that the policy did not need to be changed.” That is not monitoring or evaluation – that is reviewing the policy content (something which also needs to be done regularly, but should not be confused with self-evaluation or monitoring your own compliance).

Another method of gathering information is to structure a set of questions, *based on the specific contents of your policies*. These questions can be circulated to board members in advance, and responses tabulated prior to the discussion.

4. Discuss and Interpret the Findings

This is a crucial step in self-evaluation. A common mistake is for boards to gather the information, and then simply “receive” it, without discussing it or taking action on what has been learned. If the evaluation is to serve a purpose, it is important to discuss your self-observations. This can be done on a policy-by-policy basis. It can also be done in a more comprehensive way at an annual retreat.

5. Formulate a Governance Action Plan™ (GAP)

You have planned the evaluation. Your policies have set the target against which you measured your performance. You have gathered information from board members about how well you have met those targets. You have discussed the findings. In that process, you will likely have identified gaps between where you want to be and where you are in your board performance. Use that gap information to formulate a Governance Action Plan™ (GAP). This plan should set specific targets for improvement in your board performance, including what actions need to be taken, who will be responsible for coordinating them, and a target date for completion.

Now Available REALBoard Toolkit™ Volume 2: Board Self-Evaluation

The Governance Coach is proud to present the second in a series of governance tools, *Board Self-Evaluation*. If you found the article in this newsletter useful, order the Toolkit for more in depth coverage of the content and many useful tools to help you implement effective board self-evaluation.

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About Us

Jannice Moore, president of The Governance Coach™, and Associates Susan Mogensen, Richard Stringham and Karen Fryday-Field have all received advanced training in the Policy Governance® model at the Policy Governance AcademySM.

Contact us for details about our services.

If you would like to receive electronic copies of this newsletter in future, or would prefer to have your name removed from our mailing list, please contact MarianMGC@cs.com

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