

# Board Evaluation

# BENEFITS OF BOARD EVALUATION

- An effective evaluation process helps to identify the strengths and weaknesses of a Board.
- It points to the corrective steps that are necessary.
- Improved Board performance reinforces the efforts of management.
- Evaluation helps to identify gaps that need to be filled in the Board functioning.

- IT MUST BE AN HONEST EXERCISE,  
REFLECTING CANDOUR AND CONVICTION.

- THE ENTIRE BOARD SHOULD OWN THE  
PROCESS.

- IT MUST BE SEEN AS A VALUE-ADDING  
EXERCISE, AND NOT A TICK-BOX EXERCISE.

- THERE WILL BE NO GAINS IF EFFECTIVE  
FOLLOW-UP DOES NOT TAKE PLACE.

WHAT DOES  
BOARD  
EVALUATION  
REQUIRE TO  
SUCCEED?

## EVALUATION CAN TAKE EITHER OF THE TWO APPROACHES

- Questionnaires or Conversations.
- Combination of both

## QUESTIONNAIRE

- Some of the advantages
  - This ensures there is a proper framework for the exercise.
  - Respondents do not have to identify the areas they need to address.
  - In a composite approach, this helps to construct the conversation.
- Some of the shortcomings
  - The responses may not be entirely honest.
  - The longer the questionnaire, the more mechanical the response.

# METHODOLOGY

## ■ CONVERSATIONS

- Some of the advantages
  - A constructive conversation can elicit considerable information.
  - The demeanour of the respondent will indicate the sincerity of the response.
  - Can cover additional ground that has not been dealt with in the questionnaires.
- Some of the shortcomings
  - The conversation could tend to be superficial.
  - Conversations may not rule out politically correct responses.

# METHODOLOGY

# BOARD EVALUATION - SOME OF THE AREAS TO BE COVERED

1

Board composition

2

Role clarity of Board

3

Board processes

4

Chairperson's role

6

Committees and their processes

7

Board's relationship with the CEO

13

Potential board development needs

12

Board culture and dynamics

11

Routine matters v/s strategy related discussion

10

Active discussions versus rubber stamping

9

Quality and timeliness of board papers

8

Challenge and support from management

14

Overall board effectiveness

15

Individual director effectiveness

# PITFALLS TO AVOID

- Going through the motions/ avoiding searching questions.
- Seeing no value in the process.
- Adopting an informal process not meant to follow up.
- Following the same predictable process each time with similar questions.
- Treating it as a tick the box exercise.
- Using a one size fits all approach.

# PROBLEMS CONFRONTING EVALUATION IN INDIA

- The activity is stressful since it involves considerable sensitivity.

- Cultural dimension – An average director in India is averse to criticism.

- Problems in Board functioning - Expressing a frank opinion can cause a problem where none existed before and more time will be spent in addressing that problem instead of the affairs of the company.

- Unstated expectations from Directors – Evaluation can ordinarily be carried out with reference to stated expectations.

- Resistance from Directors. “I was invited. Why I be evaluated?”

- Prescriptive legal arrangement has internal inconsistency.



# WAY FORWARD

- Identifying areas of strength and areas of improvement for each Director and the Board.
- Developing an action plan with timelines for implementing improvements
- Getting the Board to agree to work towards the changes.
- Tracking changes against the action plan.
- Evaluation should lead to performance being a factor for compensation of Directors.