

# Governance Coach guidance notes

## Board effectiveness reviews

*“How to create and lead a board effectiveness review that adds real value.”*

A board effectiveness review is a great way to understand where your board is at and what opportunities for improvement might exist. The UK Code of Governance says that boards should carry out an annual effectiveness review. It is recommended that this should be an internal review with an independent facilitated review once every three years.

Designed and delivered well, it can be a powerful development exercise. Conversely, it can be lip service – Carillion and BHS both had board effectiveness reviews with positive feedback not long before they collapsed in dramatic fashion.

So how should you design something that works for you and adds value?

This guidance note sets out the thought process behind an effective annual review to help you plan your approach.

### **WHY DO A REVIEW?**

A review helps you to identify areas of board practice that are good and should be promoted as well as areas where you can improve. A systematic review helps you to be objective when making such judgements and provides you with data on which you can make year-on-year comparisons. It will provide assurance to the chair and the board as well as to other stakeholders that you take your governance role seriously.

It is important that you carry out a review in the right spirit, that is, one that does not personalise the issues but that helps the board as a collective by shining a light.

The results will support the chair in their leadership role to identify areas for development for the board as a whole and should be used alongside individual appraisals or annual check-ins with directors to tailor individual development plans that work in harmony with the board plan.

The purpose is to help the board to get even better at what it does. It is primarily for the board and is not, of itself, an assurance to stakeholders although they should take heart that the board considers collective development an important area of work.

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You should outline your approach to board development and the outcomes in your organisation's annual report. A structured review with identified actions will give you the material to write this section for your members.

## THE PROCESS

### *Step 1: Leadership*

Agree who will sponsor the review (usually the chair) and who should project manage the review (usually the chief executive or the company secretary). You may have a governance committee, nomination committee or similar that oversees the process.

### *Step 2: Set objectives*

Agree your objectives – what do you want to achieve through your board evaluation? It is best not to try and tackle all areas every time, focus on those that you think will have the best impact.

Areas to consider are:

- Is the composition of the board appropriate for the role it plays?
- Equalities and diversity: how effectively does the board manage issues of equality, diversity and inclusiveness?
- Are the board dynamics conducive to enabling the board to fulfil its role well?
- Are the board procedures fit for purpose and are they being implemented adequately?
- Is the board and committee structure appropriate?

### *Step 3: Scope*

It is generally considered that all board members and those with a significant influence on the board should be included in the review. Essentially you want to involve people who are in a position to offer useful insight into how the board functions and who are likely to have a stake in the agreed actions that emerge.

The board is supported by its committees and these may vary in their focus and effectiveness so you may wish to include them as well.

### *Step 4: Agree and prioritise the topics to interrogate*

It is tempting to interrogate everything; however, there is a risk that you may end up with too much data that lacks focus and therefore extracting useful information from it could be challenging or you may be unable to agree what the priority actions need to be. Areas that you could cover are:

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- Review of board agendas, minutes, papers and those of its committees
- Review of your governance documentation, constitution, articles of association, terms of reference, board procedures etc
- Observations from actual meetings: dynamics, behaviours, decision-making
- Alignment of strategy to practice: do you have a strategy and how closely are you board meetings aligned to this?
- Performance and risks: how aware is the board of the annual plan, performance against that plan, and the risks that could prevent future success?
- Review of alignment between your board practices with board procedures.
- Review of the board/organisation's values and alignment of its activities to those values
- What do other people think of us?

## Step 5: Agree the format

The format you adopt will depend on the size of your board and the resources you have available to support the review. You can see from the list above that some aspects of the review can be paper based and some require opinions and perspectives. Opinions can be collated through anonymised (or not) questionnaires or through one to one interviews.

## Step 6: Internal or external review?

Good practice is to carry out a cycle of reviews eg:



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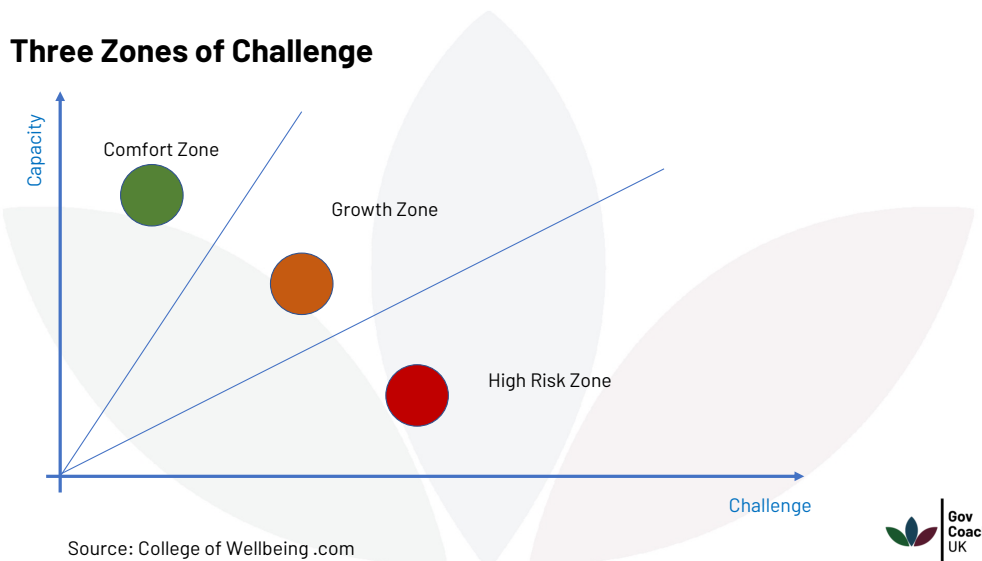
The second time round this circle you should choose a different independent reviewer in order to avoid 'cosiness' creeping in weakening the independence of the review.

The benefits of using the above cycle is that the board can try-out its own processes in years 1 and 2 and become comfortable with the review process prior to inviting an external partner in. Secondly, you can use the external reviewer to not just carry out a board evaluation review, but to test your own review processes and recommend changes.

## Step 7: Results

The results need to be collated and presented in a way that is helpful to the board. A written report that highlights variations in responses, changes from previous years, affirmative results and responses that highlight areas for growth and development. The report should be presented objectively – it is recommended that the company secretary prepares the report.

The results should be presented back to the board (including any additional people you included). It is recommended that this is done via a written report which is then discussed at a facilitated meeting. You may wish for this discussion to be led by the chair or to nominate another suitable individual. The point is, you should create a safe space for people to discuss potentially challenging material in a spirit of collective growth. You should aim for it to be challenging in order to create opportunities for learning – be aware of the feel of the room, don't tread too gently as to have little impact and neither should you be too harsh. Aim for the orange 'growth zone' in the chart below.



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## Step 8: Action!

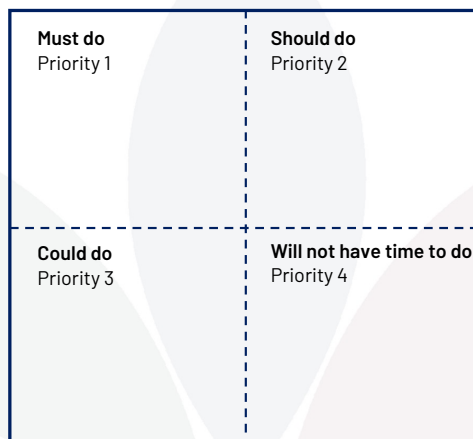
The discussion should lead to action. If there is a lot of material to draw ideas from, try breaking it down into three areas:

- Things we should keep doing
- Things we should start doing
- Things we should stop doing.

Your actions should strike a balance between being stretching and realistic.

If you find that you have a wealth of actions, think about everything else you have ahead of you in the coming year and be realistic about what you can achieve. Try using a prioritisation matrix such as MoSCoW (M= Must do, S = Should do, C = Could do, W = Will not have time to do).

### Prioritisation: the MoSCoW method



## Step 9: Write it up

You should keep a record of what you did, how you did it, and what the outcomes were. This will help you when it comes around to the next year. You should also assign someone to keep track of progress against the agreed actions and ask them to report back to the board.

Your write up will also provide useful material for your annual report. You may wish to tabulate your outcomes for ease of presentation:

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## Board evaluation: annual report write up

What we did...	How we did it...
Review feedback...	Actions we took and outcomes...



## CLOSING COMMENTS

If you require advice on drawing up your own board evaluation or are at the point where you would value an externally facilitated review, Governance Coach UK is well placed to support you, drawing on over 20 years' experience of working with boards.

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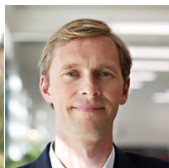
## Meet the team

### About us

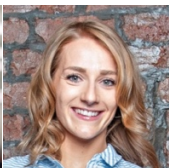
**Governance Coach UK** brings a coaching and governance focussed approach to individual and organisational development. We provide bespoke coaching, facilitation, training, and consultancy support to help individuals and teams tap into their natural resourcefulness and become more successful.



**Ben Westmancott**  
Director, Coach,  
and Governance  
Professional



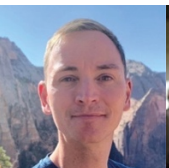
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