Board Performance: Evaluating Board Members to Drive Accountability, Leadership and Impact

written by

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Growth, market share and financial performance have long been the key criteria stakeholders have associated with a company's success. However, today's economic volatility, shareholder activism and a 24-hour, politically charged news cycle are driving stakeholders to address another key indicator of long-term sustainability: board effectiveness.

Over the last decade, board evaluation has evolved into an accepted best practice across the spectrum of public, private, and nonprofit sectors. Accountability took a leap forward when board evaluation became a regulatory requirement of NYSE listed companies in 2003.

Yet, even as boards routinely evaluate themselves as a whole, honest and complete individual board member performance evaluation is proving to yield greater and more immediate performance results. It's easy to understand why.

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Challenges in board effectiveness often stem from the governance competence of the individuals making up the board. When boards struggle with productive debate and deliberation; individual facilitation skills, and self-awareness are often the source of the trouble. When the goal is to optimize individual contributions and influence, how does a board evaluate one another when members are accustomed to operating as peers? Answer: very deliberately and with rigor.

Addressing conflict without an appropriate support mechanism in place often leads to nothing but more conflict. As Kenneth Daly, President and CEO of NACD, expressed in a roundtable on the topic, "Because of collegiality, you don't want to go to somebody and say, 'Look, you're no longer productive. You're a dud.' So what happens is that you evaluate the whole board. I don't know what good that does for figuring out problems for individuals."

Board evaluations are further hamstrung by the belief that collegiality and accountability cannot co-exist. Members can interpret feedback as an attempt to change the peer relationship into one that smacks of "management". Done poorly, it can create a negative feedback cycle that slows the board's work, drives away high performing directors, and adversely affects the company's ability to respond to crisis, strategic opportunities or market conditions. Yahoo and HP are prime examples of the potentially catastrophic effects of a board disconnected from reality, or at war with itself.

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It is the board's responsibility to manage itself effectively, and to foster a culture of mutual accountability in which individual problems are addressed clearly, respectfully, and in a spirit of effecting positive change. As NYSE's Boardmember.com notes, "while it's not always easy or pretty, to be the best board, you must be willing to go the difficult route and evaluate yourself and your counterparts."

In my experience working with public, private and nonprofit boards, the keys to successful evaluation are: 1) feedback is kept anonymous and thus easier to depersonalize, and; 2) a skilled development planning facilitator delivers the information - a coaching approach. Often, a third party is the most effective choice. An NACD Blue Ribbon Commission report agrees that, "Third-party board evaluations may help make the evaluation process easier and more effective. Evaluation comments tend to be more candid and instructive when independent outside consultants are used." Through well-run external assessment, directors internalize evaluation feedback more quickly and accurately, and make immediate changes that increase their effectiveness. The board may also utilize the analysis to be better prepared in assessing readiness for nomination to committee and board leadership.

There is no question that properly delivered feedback strengthens leadership performance. Directors contribute most effectively when they operate under a clearly defined set of expectations and change faster when discretely measured against it. In board best practices, individual director performance evaluations are incorporated into an ongoing accountability structure: a data driven individual assessment against clear expectations, and a governance and nominating structure that incorporates the data. The core of the accountability structure is a tiered set of competency criteria that set expectations for each level of director involvement: general board membership, as a committee chair or in executive board leadership roles.

An accountability structure built around a data-based evaluation process delivers powerful results. It fosters the right conversations so that board members can gain the data they need to identify specific competency concerns in a way that opens the door to meaningful change. This gives the board the opportunity to become a more effective peer group—strong directors working together under an aligned set of competency standards that drive boardroom behavior, committee work, and governance decisions: focused, aligned, transparent, and above all, impactful. Today's organizations can afford nothing less.

ABOUT THE AUTHOR:

Mike Humphries is President & CEO of Waldron, a Seattle-headquartered, multi-market Leadership Development, Board Governance Consulting and Career Management Firm. Waldron is the partner strategic leaders choose when their brands are on the line. The Firm helps attract, engage, inspire, support and develop effective leaders and Boards. Mike actively coaches select senior executives, counsels and facilitates boards on governance effectiveness, succession, board and CEO performance. Pursuant to Waldron's Social Good mission and B-Corp impact, Mike actively supports many organizations with missions aligned with social justice, housing, health, poverty alleviation, development, conservation, the environment, and education.

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