



Management Support Unit (MSU)

Information Sheet 24: Board Performance Review

The increasing governance and compliance requirements placed on Boards of non profit organisations include the expectation that they evaluate their performance regularly. This information sheet outlines principles for effective Board reviews and offers some practical information for Boards that seek to evaluate their efforts. It should be read in conjunction with NCOSS Information Sheet 21: *Quality Improvement Standards for Management and Governance in the Community Sector* which outlines the standards against which effective governance is commonly measured, namely:

- **Organisational Purpose:** Organisational goals are clearly articulated and aligned with clients' needs and aspirations.
- **Leadership:** Leadership within the organisation is able to provide direction and strategies to ensure the organisation's goals are achieved. There is a collective sense of purpose that enables the organisation's philosophy, goals and service priorities to be identified and met.
- **Legal and Regulatory Compliance:** The organisation understands and complies with all relevant legislation and regulations and manages its contractual obligations effectively.
- **Policies and Procedures:** Policies are developed both to guide the operation of the Board and to support the organisation's service delivery and administrative operations.
- **Accountability:** At every level of the organisation, there are appropriate accountability and probity measures in place.

While governance codes and standards are clearly necessary, they are not sufficient to ensure that quality of Board performance. The rules and standards merely point to the goalpost, but it is the way in which the Board members work together to achieve these standards that may determine the success of the Board. As a result there is an imperative to conduct regular Board reviews.

Why are Board Reviews Important?

Members of Boards or Management Committees are in a unique position – both legally and structurally – to influence the performance of the organisation. By law, Boards carry responsibility for the policy, ethos and direction of the organisation, the obligations which the association or company undertake and the contracts into which they enter. As a pinnacle of the organisation, the Board affects the vision, morale and integrity of the workplace. Many other factors influence the outcomes – for example the capacity of the CEO, the staff, finances – but the Board affects each of these. It is therefore of critical importance for the Board to undertake regular reviews, to assess its strengths and weaknesses and to develop strategies to address any limitations that are identified.

Who conducts the Review?

Reviews are frequently carried out internally but increasingly outside consultants are being asked to advise Boards on their performance. While internal reviews are helpful in that there may be a greater inclination to frankness without the potentially embarrassing presence of a third party, this can lead to a narrowness of perceptions and a collective tendency to gloss over some difficult issues. The effectiveness of an internal review can in fact be a reflection of how well the Board is functioning as the capacity for critical, open discussion is itself a positive indicator of effective operation in a board.

How are Board Reviews conducted?

The methods and approaches of both the external and internal reviews vary but some aspects are common. Most external Board reviews involve a questionnaire that is either given to Directors or that is discussed in personal interviews. The best methodology involves the combined use of a comprehensive questionnaire and an interview with the Chairperson and with other Board members. In this way it is more likely that the hidden concerns of Directors will be explored and included in whatever report is presented back to the Board.

Internal reviews generally include a questionnaire completed by each Board member. In this case the Chairperson would take leadership in this process and allow for feedback from other Board members about his/her performance. The Chairperson would also collate the feedback in a report and facilitate discussion on its contents.

What is Reviewed?

There are a vast range of areas which are typically covered as part of a Board Review, including:

- *Performance against strategic plan*
- *Board operations and processes*
- *Relationships with Stakeholders – the CEO, membership, clients and funding bodies*

Mission and Goals

- The Board's mission and goals
- The terms of reference of the Board and its various committees
- Policy and strategic direction of the organisation

Performance against Strategic Plan

- Development and monitoring of Strategic Plan
- Analysis of overall organisational performance
- Outcomes and attainment of performance objectives

Board operations and processes

- The Board's commitment and practice of regular reviews, including reviews of individual directors
- An analysis of the Board's structure and composition
- Board recruitment process
- Diversity of membership
- Board induction and orientation
- The makeup of its sub-committees
- Functioning of sub-committees
- Board members' knowledge of their roles and responsibilities and selection, support and training of the Chair
- The commitment of Board members to the work of the Board and the organisation
- The tenure and independence of individual Board members
- Board policies and processes including efficiency of Board meetings and decision making processes
- Relationships between Board members and the capacity to address conflict constructively
- The frequency and quality of information flows and presentations it receives
- The frequency of Board meetings and attendance at meetings
- The decision-making processes of the Board

Relationships with Stakeholders – the CEO, membership, clients and funding bodies

- Communication with clients, funding bodies, members and other stakeholders.
- Performance review, succession planning and remuneration of senior management
- The boundaries between Board and management responsibilities
- Quality of communication between the Board and the organisation

Competencies of Individual Board Members

In addition to assessing the capacity of the Board, it is important to evaluate the competency of individual Board members. Areas to be reviewed include:

- Demonstrated capacity to maintain the values of the organisation including:
 - A commitment to social justice
 - Integrity
 - Independence
 - Respect
 - Tolerance
- Orientation towards outcomes such as quality service delivery
- Capacity to maintain a strategic orientation for the organisation
- Co-operation and collaboration with other Board members

Skills of Office Bearers

Further, the Chairperson needs the skills to be able to lead the Board, to mentor and work effectively with the chief executive and the management team, and to ensure that the management and the Board both view their respective roles as ones with a fundamental accountability.

Additionally each Board needs specific skills or experiences in some of its directors though not all of them, particularly if it is to retain the critical value of diversity. For example, finance and accounting competence is needed for the Treasurer or those on a Finance Committee, while knowledge of the sector and the nature of service provision are helpful in any process that review outcomes for clients.

The appraisal of individual directors is best-done using an in depth interview with each director as the starting point. The interviewee, often a consultant, will ask questions designed to establish the behaviours of the directors in and around the boardroom and thereby gain a picture of their competency make-up as well as establishing how effectively they utilise their past experience, their commitment

to the organisation and the efforts they make to further its goals. In addition, each Director will be asked about each of his peers to complete a full peer-review review process. The idea of individual reviews does not sit comfortably with all Directors and needs to be dealt with sensitively.

If members want to be sure that their Board is performing to its potential, then a Board Review and Director Appraisals are essential.

Tools for Evaluating Board Performance

Even when there is agreement on the importance of reviewing the performance of the Board, the vexed issues of which tool to use is a critical one to address. The central question here is: Does the review tool actually measure what we want it to measure? At present there is no Board review tool that has been standardised for Australia, although efforts to achieve this are underway. However, a range of resources are available to assist Board members – see references below. While the tools may not be perfect, they do provide a springboard for open and constructive discussion with the aim of sharpening the capacity of the Board.

Using the Results

Whether the review is conducted internally or externally, it is essential for somebody to take responsibility for collating the results and presenting them back to the Board. From here it is possible for the Board to formulate a development plan so that strengths can be optimized and weaknesses addressed. From this review it is possible to plan and implement a Board development process which includes planning, training and mentoring.

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