

# Reviewing Your Board: Advantages of board evaluation

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## Book extract, pp. 14-16

A properly conducted board evaluation can contribute significantly to performance improvements on three levels - the organisational, board and individual director level. Boards who commit to a regular evaluation process find benefits across these levels in terms of improved leadership, greater clarity of roles and responsibilities, improved teamwork, greater accountability, better decision-making, improved communication and more efficient board operations. Table 2.1 summarises the benefits of board evaluation to the organisation, the board as a whole and to individual directors, which are discussed in detail below.

**Table 2.1 Benefits of board evaluation**

Benefits	To organisation	To board	To individual directors
<b>Leadership</b>	<ul style="list-style-type: none"><li>• sets the performance tone and culture of the organisation</li><li>• role model for CEO and senior management team</li></ul>	<ul style="list-style-type: none"><li>• An effective chair utilising a board evaluation demonstrates leadership to the rest of the board</li><li>• Demonstrates long-term focus of the board</li><li>• Leadership behaviours agreed and encouraged</li></ul>	<ul style="list-style-type: none"><li>• Demonstrates commitment to improvement at individual level</li><li>• Provides specific feedback for individuals to improve their role in the organisation's leadership</li></ul>
<b>Culture</b>	<ul style="list-style-type: none"><li>• Establishes the behaviours which are expected of all employees and managers</li><li>• Indicators and measures used can be aligned to desired outcomes</li></ul>	<ul style="list-style-type: none"><li>• Ensures the board embodies the desired culture, i.e. setting the tone at the top</li><li>• Focuses on openness and accountability</li><li>• Develops a culture of trust and respect in the boardroom</li></ul>	<ul style="list-style-type: none"><li>• Clarifies the role of individual directors in setting the tone at the top</li><li>• Clarifies expectations of directors in boardroom culture</li></ul>
<b>Role clarity</b>	<ul style="list-style-type: none"><li>• Enables clear distinction between the roles of the CEO, management and the board</li><li>• Enables appropriate delegation principles</li></ul>	<ul style="list-style-type: none"><li>• Clarifies director and committee roles</li><li>• Sets a board norm for roles</li></ul>	<ul style="list-style-type: none"><li>• Clarifies duties of individual directors</li><li>• Clarifies protection of directors</li><li>• Clarifies expectations</li></ul>
<b>Teamwork</b>	<ul style="list-style-type: none"><li>• Builds board/CEO/ management relationships</li></ul>	<ul style="list-style-type: none"><li>• Builds trust between board members</li><li>• Encourages active participation</li><li>• Develops commitment and sense of ownership</li></ul>	<ul style="list-style-type: none"><li>• Encourages individual director involvement</li><li>• Develops commitment and sense of ownership</li><li>• Clarifies expectations</li></ul>
<b>Accountability</b>	<ul style="list-style-type: none"><li>• Improved stakeholder relationships, e.g. investors, financial markets</li><li>• Improved corporate governance standards</li><li>• Clarifies delegations</li></ul>	<ul style="list-style-type: none"><li>• Focuses board attention on duties to stakeholders</li><li>• Ensures board is appropriately monitoring organisation</li></ul>	<ul style="list-style-type: none"><li>• Ensures directors understand their legal duties and responsibilities</li><li>• Sets performance expectations for individual board members</li></ul>
<b>Decision-making</b>	<ul style="list-style-type: none"><li>• Clarifying strategic focus and corporate goals</li><li>• Improves organisational decision-making</li></ul>	<ul style="list-style-type: none"><li>• Clarifying strategic focus</li><li>• Aids in the identification of skills gaps on the board</li><li>• Improves the board's decision-making ability</li></ul>	<ul style="list-style-type: none"><li>• Identifies areas where director skills need development</li><li>• Identifies areas where the director's skills can be better utilised</li></ul>
<b>Communication</b>	<ul style="list-style-type: none"><li>• Improves stakeholder relationships</li><li>• Improves board-management relationships</li><li>• Improved board-CEO relationships</li></ul>	<ul style="list-style-type: none"><li>• Improves board-management relationships</li><li>• Builds board norms such as psychological safety<sup>14</sup> and effort norms<sup>15</sup></li></ul>	<ul style="list-style-type: none"><li>• Builds personal relationships and trust between individual directors</li></ul>
<b>Board operations</b>	<ul style="list-style-type: none"><li>• Ensures an appropriate top-level policy framework exists to guide the organisation</li></ul>	<ul style="list-style-type: none"><li>• More efficient meetings</li><li>• Better time management</li></ul>	<ul style="list-style-type: none"><li>• Saves directors' time</li><li>• Increases effectiveness of individual contributors</li></ul>

Benefits	To organisation	To board	To individual directors
<b>Board composition</b>	<ul style="list-style-type: none"> <li>• Ensuring that a competent skills-based board is in place</li> <li>• Stakeholder recognition of a competent board</li> </ul>	<ul style="list-style-type: none"> <li>• Having the required skills, tenure and diversity to effectively undertake its tasks</li> </ul>	<ul style="list-style-type: none"> <li>• Recognition of how an individual director's competencies will add value</li> </ul>

*This extract is from the recently released book published by the AICD and written by the team at Effective Governance 'Reviewing Your Board - A guide to board and director evaluation'. To purchase a copy head to the [AICD website](#).*

*Aimed at helping boards to conduct evaluations that add value, 'Reviewing Your Board' is written by experts with more than 25 years' experience working with boards and conducting over 1,000 board reviews. 'Reviewing Your Board' is authored by Geoffrey Kiel, Gavin Nicholson, Jennifer Tunny and James Beck.*

14. According to the originator of the term 'psychological safety', it "is a belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes" (Amy Edmondson cited in A Simpson, 2017, *The Innovation-Friendly Organization: How to Cultivate New Ideas and Embrace the Change They Bring*, Palgrave Macmillan, London, p 156).

15. 'Effort norms' is a "group-level construct that refers to the group's shared beliefs regarding the level of effort each individual is expected to put toward a task" (D P Forbes and F J Milliken, 1999, "Cognition and Corporate Governance: Understanding Boards of Directors as Strategic Decision-Making Groups", *Academy of Management Review*, Vol 24, No 3, July, p 493.) Effort norms such as preparing for and participating in board meetings are important because they will influence the ability of the board to perform its key task of decision-making (A Minichilli et al, 2012, "Board Task Performance: An Exploration of Micro- and Macro-Level Determinants of Board Effectiveness", *Journal of Organizational Behavior*, Vol 33, No 2, February, pp 193-215).

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