Reviewing Your Board: Barriers to board evaluations

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In spite of the many benefits of board evaluation, there are still boards that are slow to adopt the practice. There are a number of reasons why boards are still resistant to the concept of board evaluation. These reasons and our responses to them are outlined in Table 2.2 and elaborated below.

Table 2.2: Barriers to board evaluations

Barrier	Rationale	Response
Proven track record	• A director's career track record speaks for itself and further assessment is unnecessary	• Being a director requires a different set of skills to a management position • The need for continuous improvement does not end when you become a director • Performance feedback is essential in a changing world—what was effective yesterday may not be effective tomorrow
Undermining board dynamics	• Performance appraisal will undermine the effectiveness of the team • Board dynamics will become dysfunctional	• Many directors rate improved board dynamics as a key outcome of board evaluation • Risk can be mitigated with an effective process
Shareholder feedback is enough	• Shareholders give directors the only performance feedback they need at the AGM	• Share price is not always an accurate reflection of organisational performance (and not all organisations have a share price) • There is a time lag between board action and organisational performance • A good board evaluation provides evidence of a board's effectiveness independent of organisational performance (e.g. in a turnaround situation)
Objective evaluation criteria	• It is impossible to establish objective evaluation criteria	• It is possible to establish meaningful and objective criteria that are relevant to the board • Boards can measure their performance against good practice frameworks, codes and guidance
A victory of form over substance	• Board evaluations are too process-oriented and lack real substance	• Good board evaluation processes are more likely to improve board performance than not • Board evaluations can solve substantive issues facing the board, such as dysfunction in the boardroom
Time commitment	• The evaluation process is too time-consuming	• Underestimates the importance of performance measurement and feedback to improvement • Boards will find it difficult to improve their performance without an evaluation process that can diagnose areas for improvement
Director liability	• Formal evaluation processes will expose the board to the danger of liability	• The possibility of disclosure should ensure the board institutes a robust evaluation process and actions any recommendations from the review • Documentation such as questionnaires and interview records can be destroyed once the evaluation report has been delivered and discussed by the board • Directors may be criticised in court for not undertaking board evaluations
Governance is not important	• Corporate governance is just an exercise in regulatory compliance	• The role and functions of the board are such that corporate governance is important • Investors will pay a premium for a well-governed company

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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 or to purchase a Kindle version head to Amazon.

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.

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