

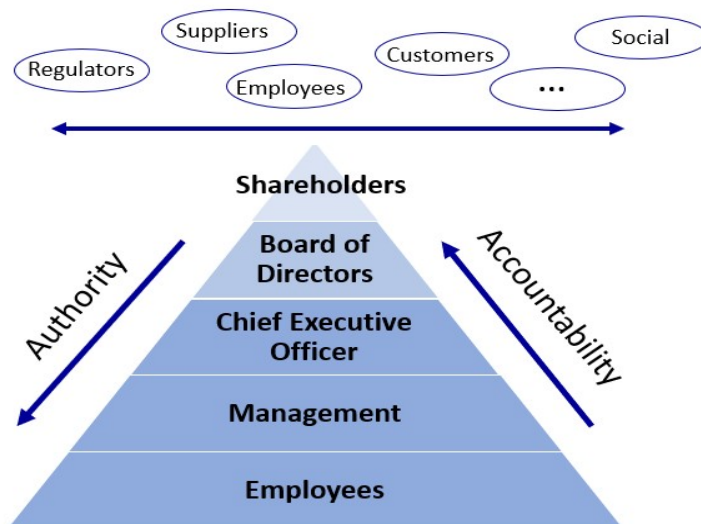


## The Governance Solutions Group

*Helping directors increase board effectiveness*

### Board Basics

## The Board's Authority



### Inside

#### The Board Evaluation Process

In the hubris of “good governance” talk, the annual board performance review is the prompter for directors to take time to review how the board operates. It’s a “pause” button.

## The Board's Fiduciary Responsibilities

#### **Duty of Loyalty** Directors are objective and unbiased; they

- Disclose/avoid conflicts
- Respect and honor confidentiality
- Do not usurp opportunities

#### **Duty of Care** Directors consider all available information before making decisions; they

- Act in good faith to further the performance of the organization
- Act with the care an ordinarily prudent person in a like position would exercise under similar circumstances
- Are informed and exercise independent judgement

#### **Duty of Obedience** Directors ensure compliance with statutes, laws and internal policies; they

- Are aware of the company's mission, strategy and objectives
- Are aware of governing documents and the law
- Make decisions in accordance with the mission and the law

#### Using the Skills Matrix

The skills matrix is a useful tool that helps directors visualize current board composition. It also gives directors a map for considering the board's future talent needs as it thinks through board succession planning.

# BOARD EVALUATIONS

## The Process

1. Map the structure.

Discuss purpose and process with the full board. Director agreement and input into the design is key.

2. Prepare the tools.

Surveys and in-person interviews are typical tools. In-boardroom observation and small group conversations may also be used. Some boards conduct a “full” board performance evaluation one year (surveys and interviews) with assistance from an independent facilitator; and, the following year use a survey with a discussion led by the board chair. Other boards conduct a comprehensive review one year; and comprehensive committee reviews the following year.

3. Collect the data.

4. Analyze the data for themes, recurring topics.

5. Discuss.

The “results” discussion must be a scheduled board agenda item. Think of it as a “pause” from regular agenda items. It will help the board measure its effectiveness.

6. List actions.

Note follow-up and to-do items. This often takes the form of two to four “board goals” (distinct from company goals).

### ***Tips for a better assessment outcome:***

1. Talk candidly about how the board operates.
2. Consider “best” and “new” governance practices.
3. Confirm meetings are focused on the right issues.
4. Prioritize matters that need attention.
5. Review matters that could have been handled better.
6. Discuss board composition and board succession planning.

### ***Board evaluation types:***

1. Full board performance
2. Director self-assessment
3. Director peer-to-peer review
4. Committee assessments
5. Senior management—board relations







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### Four Helpful Questions To Ask Following Each Board Meeting:

1. Did we accomplish what needed to get done?
2. What could we have done better?
3. Did we have the right materials in advance?
4. What key items should be on the next meeting agenda?



## The Role of the Board

accountable to shareholders

3 core areas of responsibility

periodic “pauses” to review how it does its work

### Strategic

- ☐ Approve vision & mission
- ☐ Approve L-T strategy

### Corporate

- ☐ Hire the CEO
- ☐ Evaluate performance
- ☐ Compensate the CEO
- ☐ Discuss succession plans

### Informed Oversight

- ☐ Operations
- ☐ Financials
- ☐ Risk management
- ☐ Ethics & compliance