



How Boards of Directors evaluate their work

swissVR Monitor II/2021

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About the survey

This is the tenth edition of swissVR Monitor and is based on a survey of 408 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members' attitudes to the outlook for the economy and business and to corporate governance issues. This edition also focuses specifically on the evaluation of the work of Boards of Directors.

The swissVR Monitor survey was conducted by swissVR in cooperation with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 7 June and 15 July 2021. A total of 408 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 32% of the participants are from large companies, 35% from medium-sized companies and 33% from small companies.

The aim of swissVR Monitor is to offer Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. SwissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

A note on the methodology

When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is determined by workforce: small companies have between 1 and 49 employees, medium-sized companies have between 50 and 249 employees, and large companies have 250 or more employees.

Foreword

Amid the routine, content-driven work of any Board of Directors, it is all too easy to forget to pause and reflect on how well the Board is functioning and what improvements could be made. swissVR Monitor II/2021 therefore looks at how Boards evaluate their own work. It is gratifying to note that the overwhelming majority of Boards do carry out such evaluations and use them as the basis for improvements. The picture in relation to Board evaluation is positive overall, although there is some room for improvement, for example in relation to implementing measures to optimise the way the Board works.

Dear reader,

We are delighted to bring you swissVR Monitor II/2021, a survey conducted jointly by swissVR, Deloitte and the Lucerne University of Applied Sciences. For this edition, we surveyed 408 members of Boards of Directors across Switzerland. The findings reflect their attitudes not only to the economy and the outlook for business but also to relevant areas of their own role. The special focus topic in this tenth swissVR monitor is evaluation of the work of the Board of Directors.

swissVR Monitor II/2021 provides a number of insights:

- Board members rate the economic, sector and business outlook as very positive. The COVID-19 crisis seems to have passed, and respondents now expect the economy to recover.
- A large majority of those surveyed report that their Board evaluates its work periodically, using a variety of methods including spontaneous discussions, individual feedback interviews and questionnaires.
- Most Boards make use of formal self-evaluation, usually annually. It is rare for Boards to commission external providers to conduct an evaluation.
- Evaluation focuses on the internal organisation of the Board and how it functions and on cooperation with management. It is common for Boards to meet without management being present.

- Survey respondents rate cooperation with management and the internal organisation of the Board as very good. Awareness of the boundaries between strategic and operational areas can be a challenge, along with the excessive influence that individual Board members may have on decision-making.
- In most cases, Board members use evaluation as the basis for formulating measures for improvements. Some or most of these measures are actually implemented, though there is scope for more consistent implementation.
- A majority of Boards allocate special areas or responsibilities to individual members, though this varies in line with company size and sector.
- Only a minority of Boards set up committees. Here, too, company size, sector and Board size determine the internal organisation of the Board of Directors.

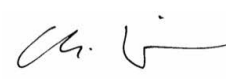
We would like to thank all the Board members who participated in this swissVR Monitor. We hope you will find this report an informative and enjoyable read.



Cornelia Ritz Bossicard
President swissVR



Reto Savoia
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Summary and key findings



72%

expect the Swiss economy to grow over the next 12 months.

Economy expected to recover strongly from the COVID-19 crisis

Board members are very positive in their rating of the outlook for the economy, their sector and their company's business over the next 12 months. There are, however, differences between sectors. Board members in the information and communications technology (ICT) sector are very optimistic, while those in tourism and hospitality and financial services are more cautious. Recovery from the pandemic is likely to vary from sector to sector.



80%

say that their Board evaluates its own work.

Vast majority of Boards self-evaluate

Most Swiss Boards evaluate their own work, with more than half using a formal method of evaluation, such as structured interviews/discussions or questionnaires. Most carry out evaluation annually. A majority of Boards self-evaluate, with third-party external evaluation rare. Boards in large companies and in the transport and logistics and financial services sectors evaluate their performance more frequently than average and/or are more likely than average to do so in a structured way.



50%

focus on the Board's performance during evaluation.

Wide range of topics for Board evaluations

Board evaluations are most likely to focus on internal organisation and the way the Board works and on cooperation with management. Other commonly discussed topics include the quality of documents and reports to the Board, how well the Board is informed about important events within the company, and 'soft' issues, such as the culture of debate. Surprisingly, only half of all Boards include their own performance in evaluations.



98%

see themselves as sparring partners and as providing constructive criticism to management.

Very positive assessment of the Board's work, but also challenges

Board members surveyed rate their cooperation with management, the Board's internal organisation and the way it operates as very positive. Almost all report that they understand their role as that of a 'sparring partner' for management, whose operation they challenge and provide constructive feedback on. They describe the greatest challenge as the fact that individual Board members sometimes lack awareness of the boundaries between strategic and operational issues or have an excessive influence over the decisions made within the Board.



80%

use evaluation as the basis for specific improvements.

Evaluation mostly leads to improvement measures

Four out of five Board members surveyed say that they formulate specific measures after evaluations to improve the way the Board operates. The remaining Boards either perceive no room for improvement or fail to identify such potential as part of the evaluation process. Respondents indicate that where the Board formulates improvement measures, these are mostly implemented. However, implementation could clearly be more consistent.



43%

set up committees within the Board.

Convening committees depends largely on company size and sector

Just over half of all Boards have committees: the figure for large companies is almost three-quarters, while in small companies, it falls to just one-fifth. Committees are most common in Boards in the financial services sector, where almost four-fifths have at least one committee. In most other sectors, this proportion falls to less than half. However, many Boards allocate specialist areas or responsibilities to individual members.

Outlook

Economic, sector and business outlook

Board members surveyed rate the **prospects for the Swiss economy, their sector and their company** as very positive, with optimism at its highest level across all ten swissVR surveys conducted so far. Since the high point in 2018, Board members' rating of the outlook for the economy has declined steadily and fell further in response to the COVID-19 pandemic (see Chart 1). Expectations hit their lowest level in the summer 2020 swissVR Monitor as a result of the pandemic, but there was a clear reversal of this trend in early 2021, and by summer 2021, positive ratings are back at a record level. This trend applies to Board members' assessment both of the prospects for the Swiss economy as a whole and of the outlook for their sector and for business. This improvement in the mood of Board members is probably attributable primarily to the gradual relaxation of COVID-19 restrictions and the growth in business in H1 2021. It also reflects the forecasts of the Swiss State Secretariat for Economic Affairs (SECO), which is assuming a strong economic recovery in 2021 and 2022.

From an overall negative position in swissVR Monitor I/2021, when 27% of respondents rated the **economic outlook** as negative as against 23% who rated it as positive, Board members are now much more optimistic, with 72% of respondents rating the economic outlook as positive and just 3% rating it as negative. Respondents increasingly expect Switzerland to make a rapid economic recovery. However, Board members' assessment varies according to the sector they represent: in tourism and hospitality, only half (50%) rate the outlook over the next 12 months as positive, something that is probably attributable mainly to the continuing uncertainty and risk associated with the pandemic and ongoing travel restrictions.

Two-thirds of Board members (65%) rate the **outlook for their sector** over the next 12 months as positive, by far the highest value since 2017. The proportion rating the outlook as negative is just 5%, itself an all-time low for the swissVR Monitor survey. Levels of optimism are highest in the ICT sector, where 95% of respondents rate the outlook as positive

Chart 1. Economic, sector and business outlook over the next 12 months

Question: How do you rate the prospects for the Swiss economy / sector / your company over the next 12 months?



– perhaps because of the major advances in digitalisation driven by the pandemic. Once again, however, Board members in tourism and hospitality are much less optimistic, as are also those in financial services.

As noted in previous surveys, Board members rate their company's **business outlook** as more positive than the economic or sector outlook. Three-quarters of Board members surveyed (75%) believe the next 12 months will be very positive for their company, the highest figure recorded over the five years the survey has been conducted. Just 3% of Board members rate the business outlook for their company as negative. Board members in the commerce/consumer goods and ICT sectors are particularly likely to rate their company's business prospects as positive (86% of respondents in both sectors). However, in the financial services sector the ratings are below the average at 63%. This sector has survived the pandemic surprisingly well, but stagnating profit margins, the growing risk of credit defaults and record prices on property and stock markets are likely to have dampened assessments of future prospects.

Focus topic: How Boards of Directors evaluate their work

One aspect of good corporate governance is that the Board of Directors periodically evaluates and reflects on its own work. Such evaluation may focus on cooperation within the Board, its internal organisation, or 'soft' factors, such as the culture of debate within the Board. Evaluation is, therefore, defined very broadly to cover both formal and informal activities by

the Board as it reflects on and monitors its work and performance. Some specific aspects of evaluation have been tackled indirectly in previous editions of swissVR Monitor, such as appointments to the Board in swissVR Monitor 1/2018. This edition considers evaluation of the Board as a standalone focus topic.

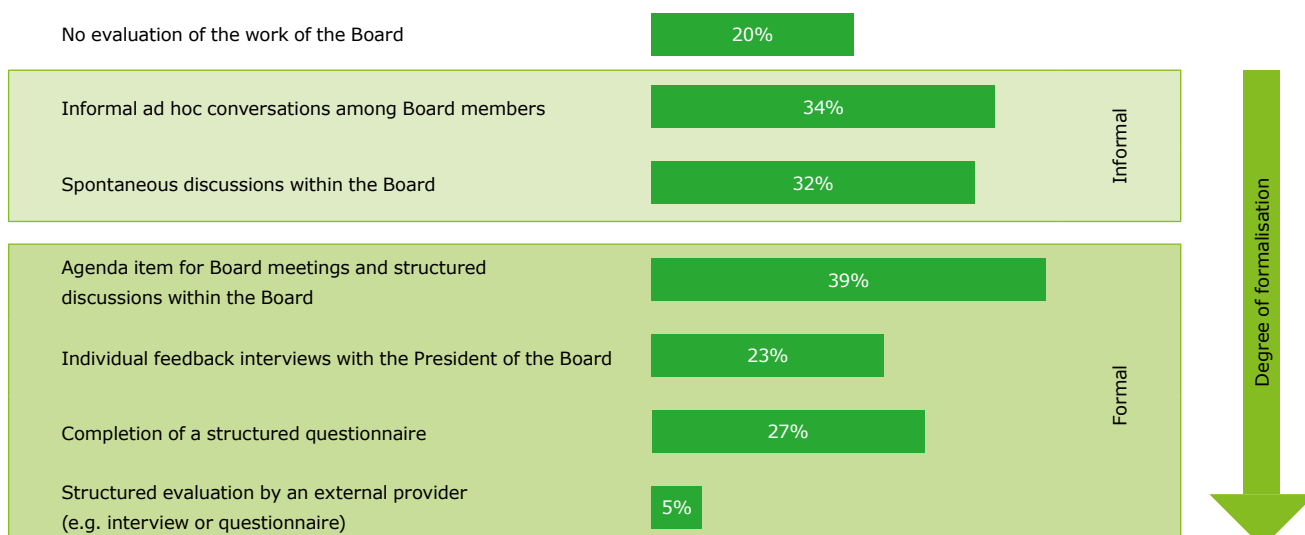
Types and frequency of evaluation

One-fifth of all Board members report that there is **no evaluation of the work of their Board** (see Chart 2). The remaining 80% say the work of their Board is evaluated in some form, using a number of different methods. These methods vary in terms of their formality and structure. Around a third of respondents report that evaluation takes the form of **informal ad hoc conversations among Board members** (34%) or **spontaneous discussions within**

the Board (32%). More formal evaluations are also reported, with just under two-fifths of respondents (39%) saying that **evaluation is an agenda item for Board meetings and structured discussions within the Board**. Around a quarter (23%) report holding **individual feedback interviews with the President of the Board**, with a further quarter (27%) saying their Board **completes a structured questionnaire**.

Chart 2. Types of Board evaluation

Question: How does your Board of Directors evaluate its work/performance? [Please select all that apply]



Just 5% of Board members surveyed say their Board undergoes structured evaluation by an external provider. Chart 3 shows how few Boards choose this method of evaluation, with just one respondent in eight (13%) reporting that their Board has even undergone an **external (third-party) evaluation**. Those that have undergone external evaluation are most likely in large companies (54%) and in the financial services

sector (33% of respondents in this sector, as against 18% across the sample as a whole). External evaluation of the work of Boards will clearly remain a minority choice: just one Board member in seven believes that their Board will undergo external evaluation over the next two years. Self-evaluation will therefore remain the dominant form of Board evaluation.

Chart 3. Board evaluation by external providers

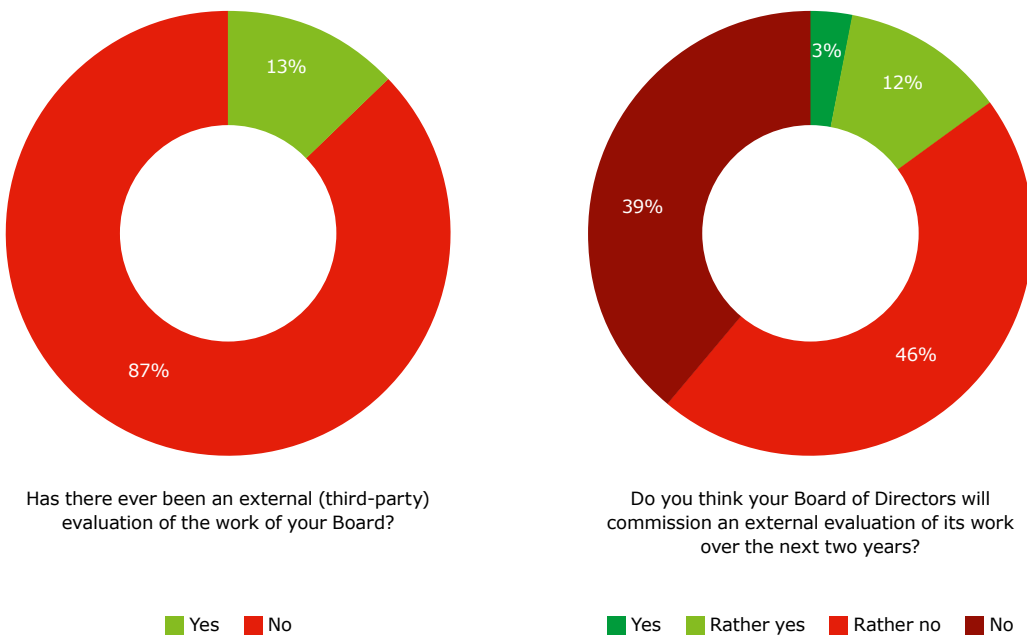
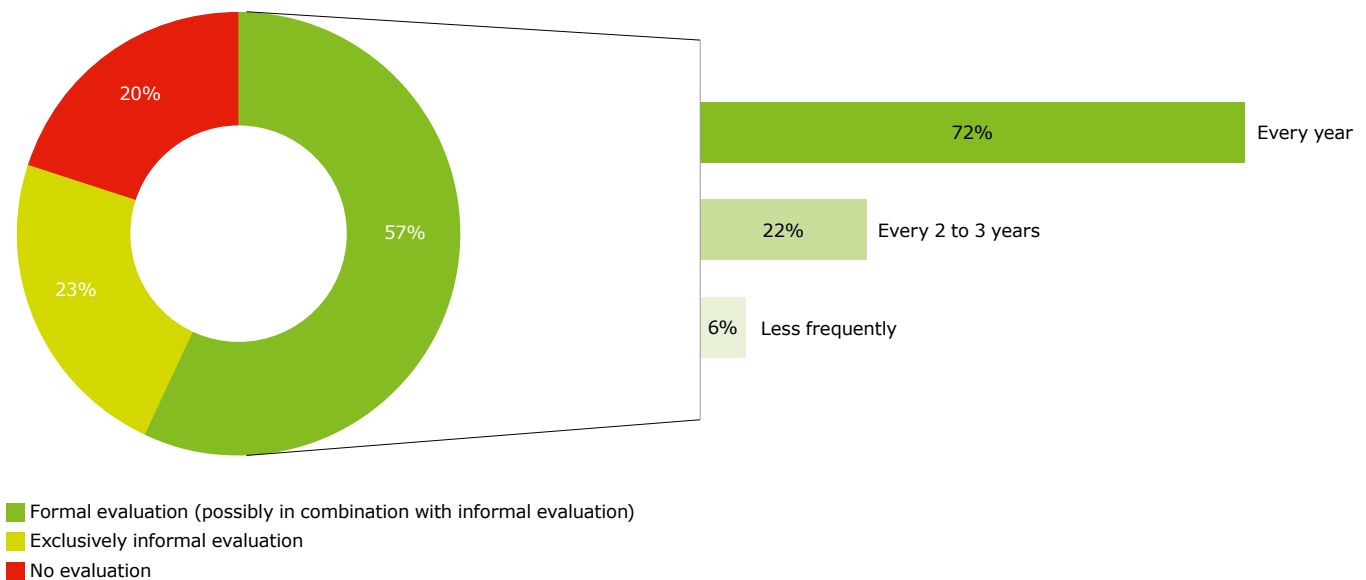


Chart 4. Frequency of formal Board evaluation

Question: How frequently does your Board formally (self-)evaluate its work?



Overall, a majority of those surveyed (57%) report using at least one of the **formal methods of evaluation** listed (see Chart 4). In such cases, there may also be informal evaluation. In the case of Boards using at least one of the formal methods of evaluation, this evaluation takes place **annually** in almost three-quarters of cases (72%), with about a fifth carried out **every two to three years** (22%). Just 6% report such evaluation being carried out **less frequently**.

Around a quarter (23%) of Boards evaluate their work **exclusively informally**. In such cases, it may be advisable for Boards in future to switch to formal self-evaluation of their work. There is also room for improvement among the fifth of Boards that do not evaluate their work in any way.

Whether, and in what form, formal evaluation is carried out depends on company size and sector. Board members in large

companies are, for example, more likely to put discussion of the Board’s work on the agenda for meetings as a formal item for discussion (53%, compared with 29% of Board members from small companies) or to use structured questionnaires (47%, compared with 16% of those in small companies). One reason is probably that the work of the Board is more formalised in larger companies than in small ones. In the case of listed companies in particular, formal evaluation is regarded as ‘state of the art’. It is also clear that companies in regulated sectors or semi-public companies are more likely than average to undergo formal evaluation. Boards in the financial services sector, for example, are noticeably more likely to put evaluation on the agenda for formal discussion (60%) or to report using structured questionnaires (69%). Boards of companies in the transport and logistics sector focus particularly on formal discussion as part of Board meetings (57%).

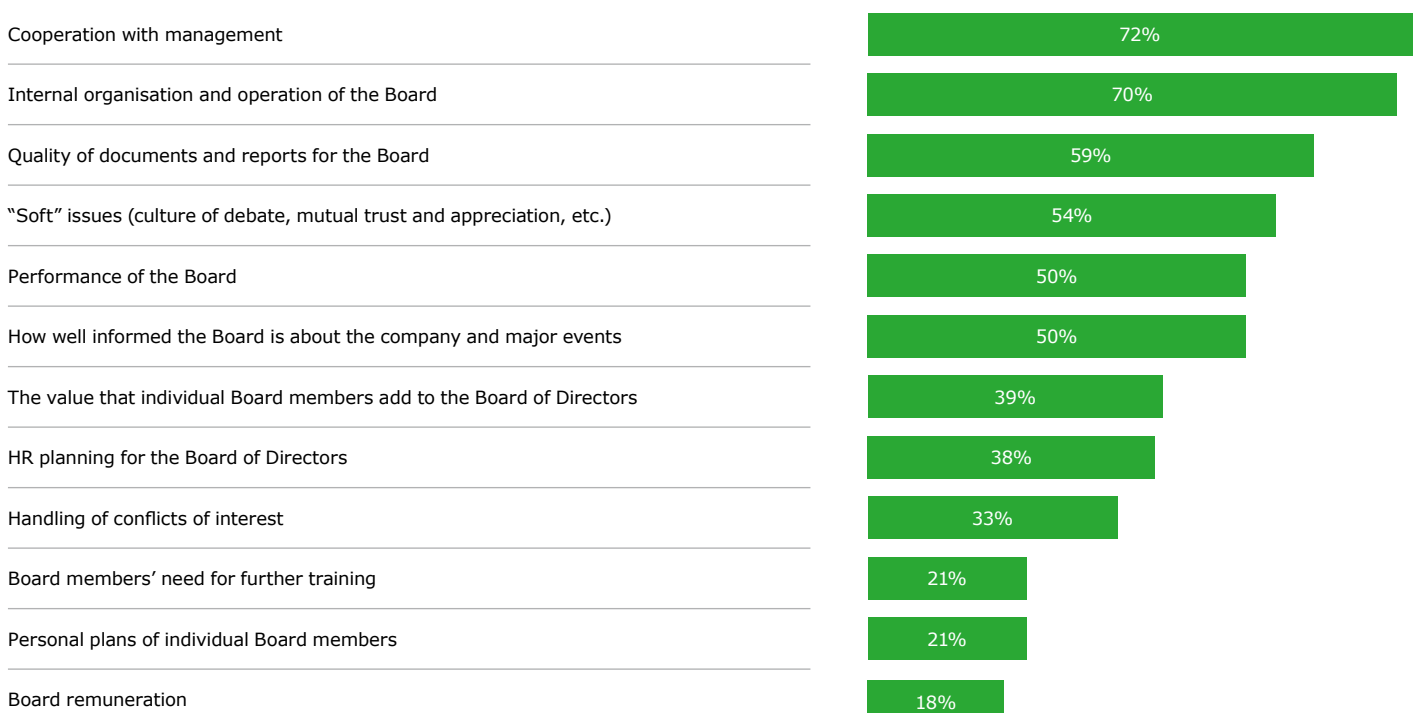
Topics for Board evaluation

Boards also differ widely in the specific topics they evaluate as well as in the format of the evaluation (formal or informal). Respondents were asked to choose from a list of issues that could or should be tackled as part of an evaluation, and as Chart 5 shows, the most commonly cited issues are **cooperation with management** (72%) and the **internal organisation and operation of the Board** (70%). A majority of respondents also report including the **quality of documents and reports for the Board** (59%) and **how well informed the Board is** (50%) in their evaluation, along with **‘soft’ issues**, such as the culture of debate, mutual trust and mutual respect (54%).

tion and operation of the Board (70%). A majority of respondents also report including the **quality of documents and reports for the Board** (59%) and **how well informed the Board is** (50%) in their evaluation, along with **‘soft’ issues**, such as the culture of debate, mutual trust and mutual respect (54%).

Chart 5. Topics for Board evaluation

Question: Which of the following topics form part of the Board’s (self-)evaluation? [Multiple answers possible, n=325]



Just half of respondents said their Board includes **performance** as an element of evaluation, while even fewer (39%) focus on the **value that individual members add to the Board**. It should be noted here, however, that it is difficult to measure the performance either of a Board as a whole or of individual members within it.

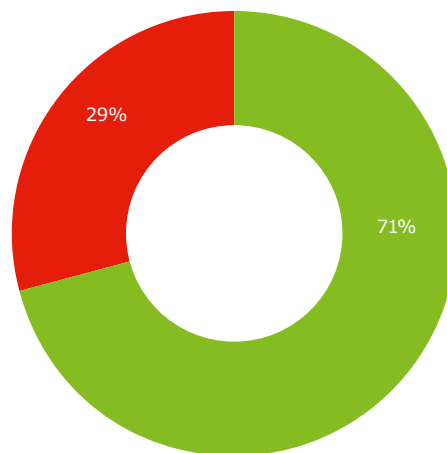
As the findings show, only around one-third of Boards evaluate their handling of HR planning or the way they deal with conflicts of interest (38% and 33% respectively). Even fewer tackle **Board members' need for further training** (21%), the **personal plans of members** (21%) or **Board remuneration** (18%). This may be because these issues do not come up for discussion regularly but arise only occasionally or when the situation requires it.

Board meetings without management present

Cooperation with company management is a crucial and widely debated area of the work of a Board of Directors, so the survey asked whether the **Board holds meetings without management being present** at which it reflects, among other issues, on its work and on issues relating to its interaction with management. As Chart 6 shows, 71% of Board members report that this is the case. This also means that more than two-thirds of Boards interpret 'good governance' as involving discussion of issues without the presence of third parties.

This is particularly likely to be the case with Boards in large companies, of which an above average 81% meet without management present. One reason is probably the formal separation between Board and management, which is clearer in large companies than in small ones. In smaller, owner-managed companies, by contrast, there is often an overlap between members of the management team and members of the Board of Directors.

Chart 6. Board evaluation meetings without management



Are Board meetings held without management being present so that Board members can reflect on their work among themselves? [n=325]

■ Yes ■ No

Assessing the work of the Board

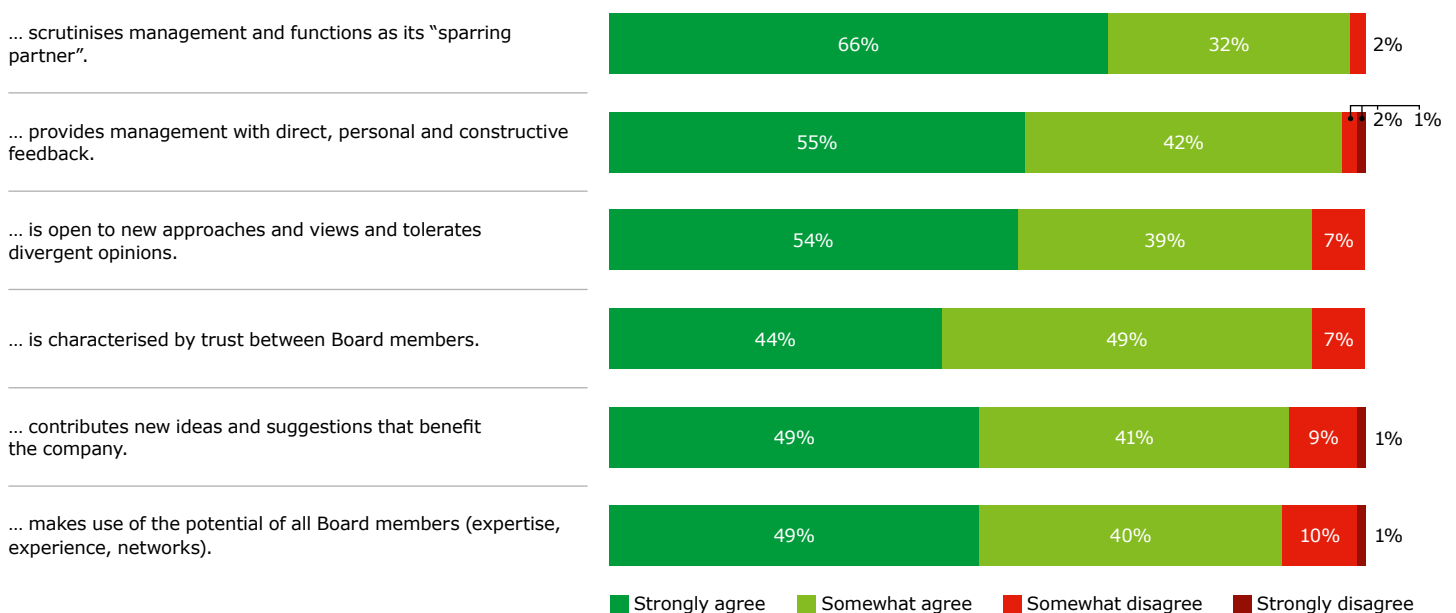
Alongside questions about evaluation, the survey also asked Board members about their assessment of their own Board's work and of the challenges it faces. A majority of respondents rate the work their Board does as positive (see Chart 7), with between 89% and 98% of respondents strongly agreeing or somewhat agreeing with each of the statements listed. There are, however, differences in the proportion strongly agreeing with each individual statement.

Almost all Board members surveyed (98%) strongly agree or somewhat agree that their **Board scrutinises management and functions as its 'sparring partner'** (66% and 32% respectively). Almost as many (97%) agree that the Board **provides management with direct, personal and constructive feedback** (55% strongly agree and 42% somewhat agree).

The picture is more differentiated in relation to statements concerning relationships within the Board. The highest proportion of respondents – 93% – agree that the **Board is open to new approaches and views and tolerates divergent opinions** (54% strongly agree and 39% somewhat agree). Responses to statements that the Board **contributes new ideas and suggestions that benefit the company** and that it **makes use of the potential of all members** are less clearly differentiated (49% strongly agree with both statements, with 40% and 41%, respectively, somewhat agreeing). The widest disparity in responses relates to the statement that the Board is **characterised by trust between** members, with only 44% strongly agreeing and 49% somewhat agreeing.

Chart 7. Evaluation of Board work

Question: Our Board of Directors ...



Assessing potential challenges facing the Board

Respondents were asked to rate a number of practical challenges in relation to the scope for improvement in the work of their Board (see Chart 8). Responses here further confirm the positive picture, with between 89% and 98% of Board members somewhat disagreeing or strongly disagreeing that the issues listed are challenges for their Board (the dark green and light green bars on the bar chart below).

The greatest differentiation is in the proportion of respondents strongly disagreeing with specific statements. For example, 90% of respondents strongly disagree that **individual Board members frequently miss meetings**. Two-thirds (62%) strongly disagree that Board members **are distracted during meetings** and 66% that Board members **do not express their view when management is present**. The picture is also positive in relation to members being **insufficiently committed, overchallenged/overwhelmed** or **inadequately prepared for meetings**, statements with which 58%, 63% and 56%, respectively, strongly disagree.

Respondents are less positive in response to the statement that **individual members have an excessive influence on decision-making**, however: just 30% disagree, with almost as many – 29% – strongly agreeing or somewhat agreeing with this statement. This may be linked to the dominance of the Board President, something cited by a large number of respondents (see Chart 11).

A further major challenge appears to be that individual Board members are **insufficiently aware of the boundaries between strategic and operational issues**. 26% strongly agree or somewhat agree, with just 32% strongly disagreeing. It is clear that not all Board members have found an optimal balance in this aspect of their mandate, although this may be linked to the fact that in many small and medium-sized companies, Board members are also members of the management team.

Chart 8. Challenges of Board work

Question: Individual Board members ...

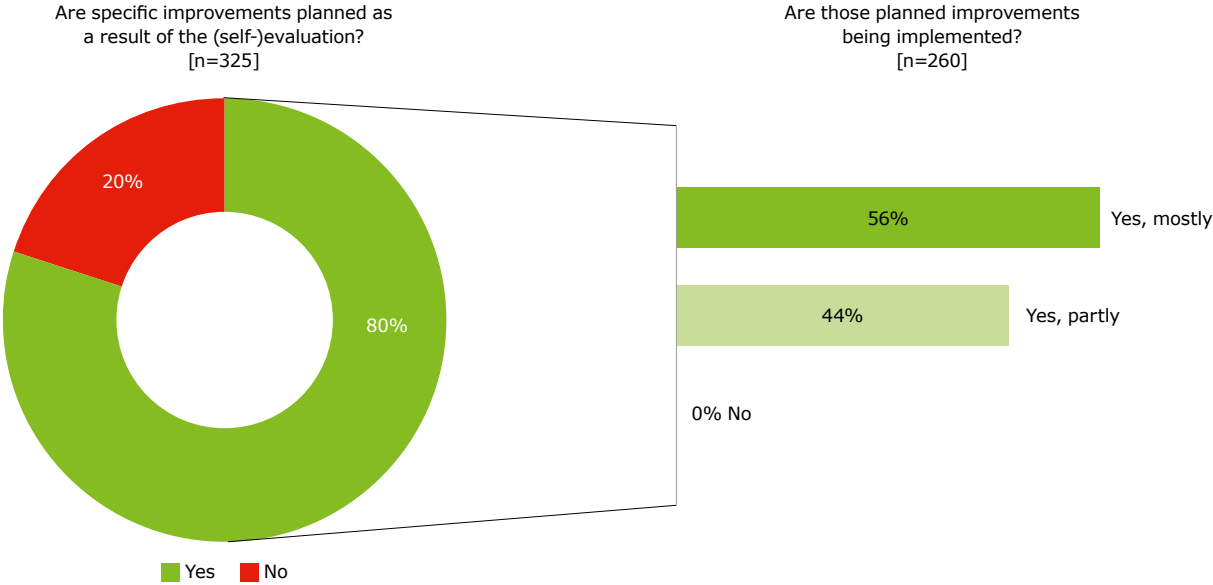


Improvements based on the Board evaluation

Evaluating the work of the Board of Directors is intended to enable a Board to assess its performance and to identify scope for improvement and optimisation. The evaluation process should therefore produce **specific measures to improve cooperation and performance within the Board**. Four-fifths of Board members whose Board has undergone evaluation (80%) confirm that specific improvements are planned as a result (see Chart 9). The remaining one-fifth (20%) say there is no potential for improvement or that evaluation has failed to identify this potential and to use it as the basis for improvement measures.

Where Board members planned improvement measures as the outcome of an evaluation, the survey asked whether these measures are actually being implemented. All Board members surveyed confirm that the measures are being at least partially implemented: 56% report implementation of the majority of such measures, with the remaining 44% reporting implementation of some. There is, therefore, scope for improvement in relation to **implementation of the measures identified during evaluation**.

Chart 9. Improvement measures derived from Board evaluation



Structural issues facing the Board of Directors

Internal organisation of the Board of Directors

Allocation of roles and the influence of individual Board members are key issues in relation to the internal organisation of the Board of Directors. Survey respondents are as positive about these two aspects of their Board's operation as they were two and four years ago, when these questions were last asked (swissVR Monitor II/2017 and II/2019) (see Chart 10). There are no significant differences between the three sets of survey findings.

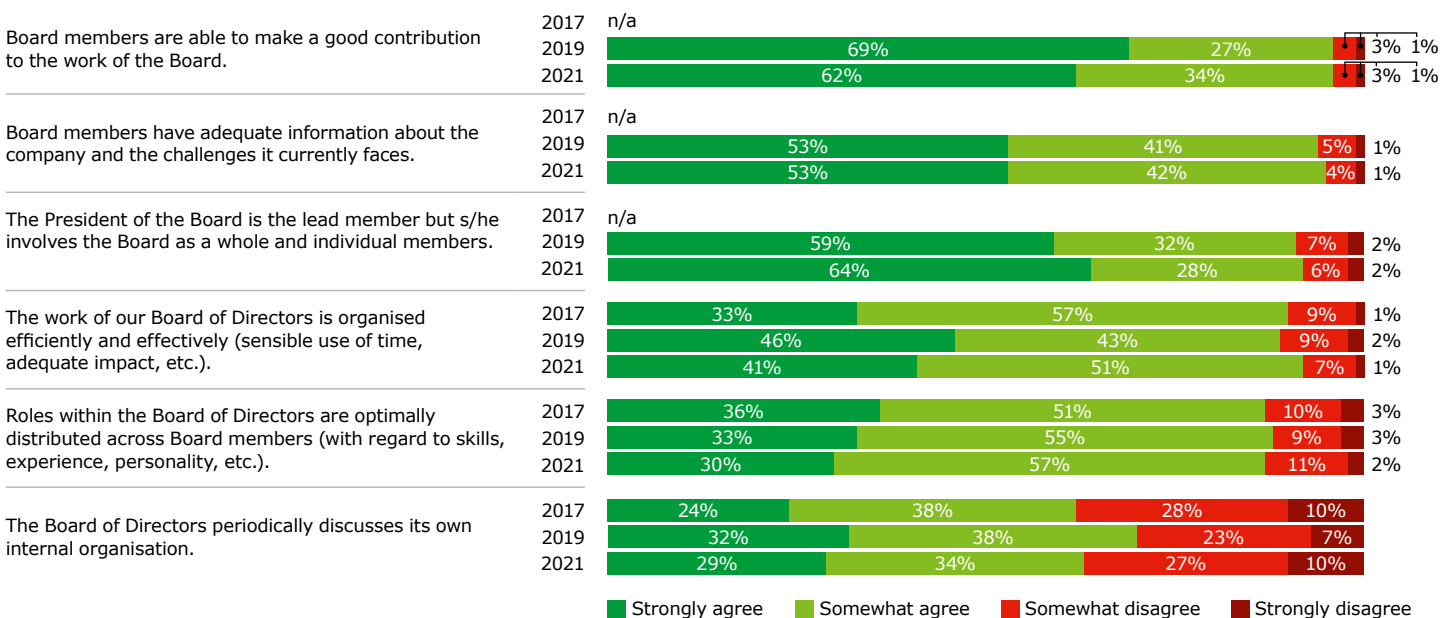
Almost all respondents (96%) strongly agree or somewhat agree that Board members **are able to make a good contribution to the work of the Board** (62% and 34% respectively). Virtually the same proportion (95%) strongly agree or somewhat agree that Board members **have adequate information about the company and the challenges it currently faces** (53% and 42% respectively).

Survey respondents are also positive about the role of the Board President, with 92% agreeing that **the President is the lead member but involves other members** (64% strongly agree and 28% somewhat agree).

The remaining statements also attract a high proportion of strongly agree or somewhat agree responses. However, the proportion of strongly agree responses differs from statement to statement, pointing to more nuanced views and potential for optimisation. For example, just 41% strongly agree that **the Board's work is organised efficiently and effectively**, with even fewer – 30% – strongly agreeing that **roles are optimally distributed across Board members**.

Chart 10. Internal organisation of the Board of Directors

Question: Please indicate your agreement with the following statements



The statement attracting the lowest level of agreement was that **the Board of Directors periodically discusses its own internal organisation**. Just 29% of respondents strongly agree with this statement, with 34% somewhat agreeing. Just over one-third of those surveyed (37%) strongly disagree or somewhat disagree. One reason may

be that there is less need for discussion, given the generally positive view taken by most Board members of their Board’s operation. And one-fifth of all Board members report conducting no evaluation at all, with nearly a quarter reporting only an informal evaluation of their Board’s work (see Chart 4).

Challenges facing the Board of Directors

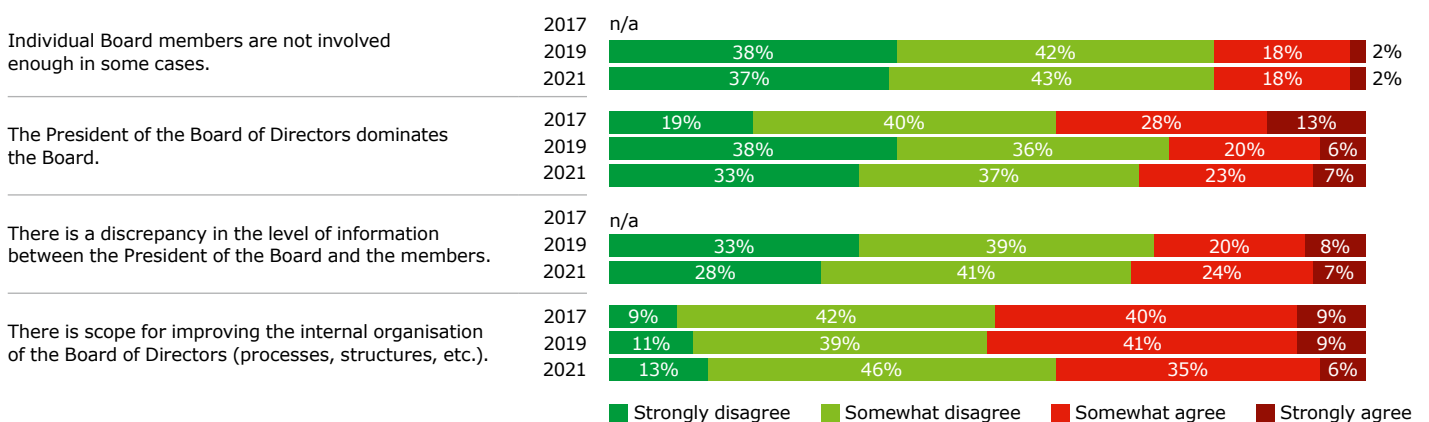
Analysis of respondents’ views of possible challenges facing the Board confirms both their relatively positive view of the Board’s internal organisation and the scope they identify for potential for optimisation. The picture that emerges is similar to that reported in swissVR Monitor II/2017 and II/2019, when the question was last asked: only a minority of Board members strongly agree or somewhat agree that the challenges listed apply to their Board (see Chart 11, red bars). The percentage of those strongly agreeing is very low in all cases.

Only one respondent in five (20%) strongly agrees or somewhat agrees that **individual Board members are not involved enough in some cases**. Around one-third see **dominance of the President of the Board** and a **discrepancy in the level of information between the President and the members** as posing a challenge (30% and 31% of respondents respectively). However, such challenges are inherent in the nature of how a Board operates since the President’s role means s/he is naturally closer to the company and its management than the other members of the Board.

Responses to the statement “**There is scope for improving the internal organisation of the Board (process, structures, etc.)**” point to room for improvement, with 6% strongly agreeing and 35% somewhat agreeing. Just 13% strongly disagree. Overall, the Board members surveyed indicate a number of areas that could be improved in terms of organisation and cooperation within the Board.

Chart 11. Challenges facing the Board of Directors

Question: Please indicate your agreement with the following statements



Special responsibilities and committees

Almost two-thirds of those surveyed (62%) report that **special areas or responsibilities are allocated to members of their Board** (see Chart 12). This figure lies halfway between the figures reported in swissVR Monitor II/2017 (65%) and swissVR Monitor II/2019 (59%).

The proportion of Boards that allocate special areas or responsibilities to members depends on the size of the company and the sector in which it operates. Three-quarters (75%) of Boards in large companies allocate such special areas of responsibility to individual members, compared with just over half of those in small companies (53%). To put this in context, Boards in large companies tend to have more mem-

bers than those in small companies (an average of 6.8 members in large companies compared with 4.1 in small companies). Moreover, there are sectoral differences, with allocation of special areas or responsibilities particularly common in the financial services sector (76% of Boards) and the pharma / life sciences / medtech / health sector (79%). Such allocation is, by contrast, less common than the average on Boards of companies in the ICT sector (49%).

43% of Board members surveyed report that their Board has **committees**, which is broadly in line with the findings from two years and four years ago (swissVR Monitor II/2017: 44%; swissVR Monitor II/2019: 41%).

Chart 12. Special responsibilities / areas and committees

		We have allocated special responsibilities or areas to individual Board members	We have set up committees within the Board of Directors
Total II/2021		62%	43%
Total II/2019		59%	41%
Total II/2017		65%	44%
By company size (II/2021)	Small companies	53%	21%
	Medium-sized companies	59%	38%
	Large companies	75%	72%
By selected sectors (II/2021)	Corporate services	54%	27%
	Commerce / consumer goods	54%	22%
	Financial services	76%	78%
	Pharma / life sciences / medtech / health	79%	48%
	Manufacturing / chemicals	56%	34%
	Information and communications technology	49%	28%
	Construction	57%	23%

Differences on the basis of company size and sector are more marked in relation to the formation of Board committees than to allocation of special areas or responsibilities. Almost three-quarters (72%) of Boards in large companies have committees, but this figure falls to one in five Boards in small companies (21%). Committees are particularly common in the financial services sector (78%), partly because the Swiss Financial Market Supervisory Authority (FINMA) requires banks above a certain size to have an Audit Committee and a Risk Committee. In most other sectors, only between 22% and 28% of Boards report setting up committees; these are particularly common in the corporate services, commerce / consumer goods, ICT and construction sectors.

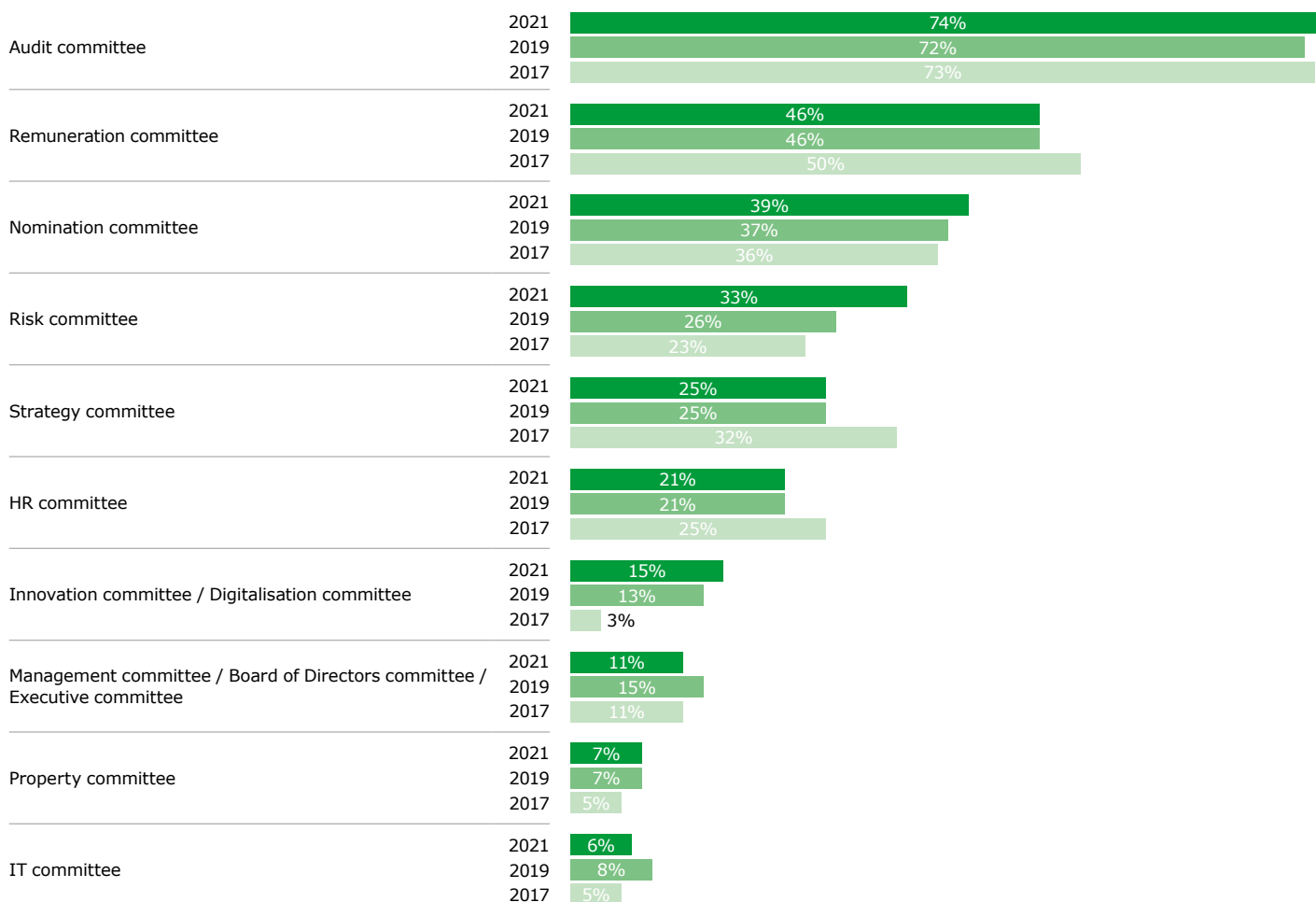
Among Boards with at least one committee, an **Audit Committee** is by far the most common (74% of Board members

surveyed) (see Chart 13). This may be attributable both to recommendations for good governance in listed companies, such as those issued by Economiesuisse, and to the requirements of regulators, including FINMA. A similar picture emerges in relation to Remuneration Committees, which are a statutory requirement for all listed companies. With these exceptions, the picture is mixed, with committees set up in response to the needs of individual companies.

The relative figures for different types of committee within the company are similar to those in the surveys conducted two and four years ago. It is, however, striking that a considerably higher proportion of Boards now convene a Risk Committee (33%, up from 23% in 2017). This can probably be explained by new FINMA regulations for banks and the growing importance of risk management over the last few years.

Chart 13. Types of committees

Question: Which committees does your Board have? [Multiple answers possible, n=175]



Overall, Board members rate the work of committees very positively (see Chart 14). It is striking that respondents unanimously agree that having these committees on their Board **creates added value for the company** (65% strongly agree and 35% somewhat agree). Almost all Board members (99%) also believe **members of committees have the necessary skills and aptitude for their role** and that **the number and nature of committees is in line with the requirements and needs of the company** (98%).

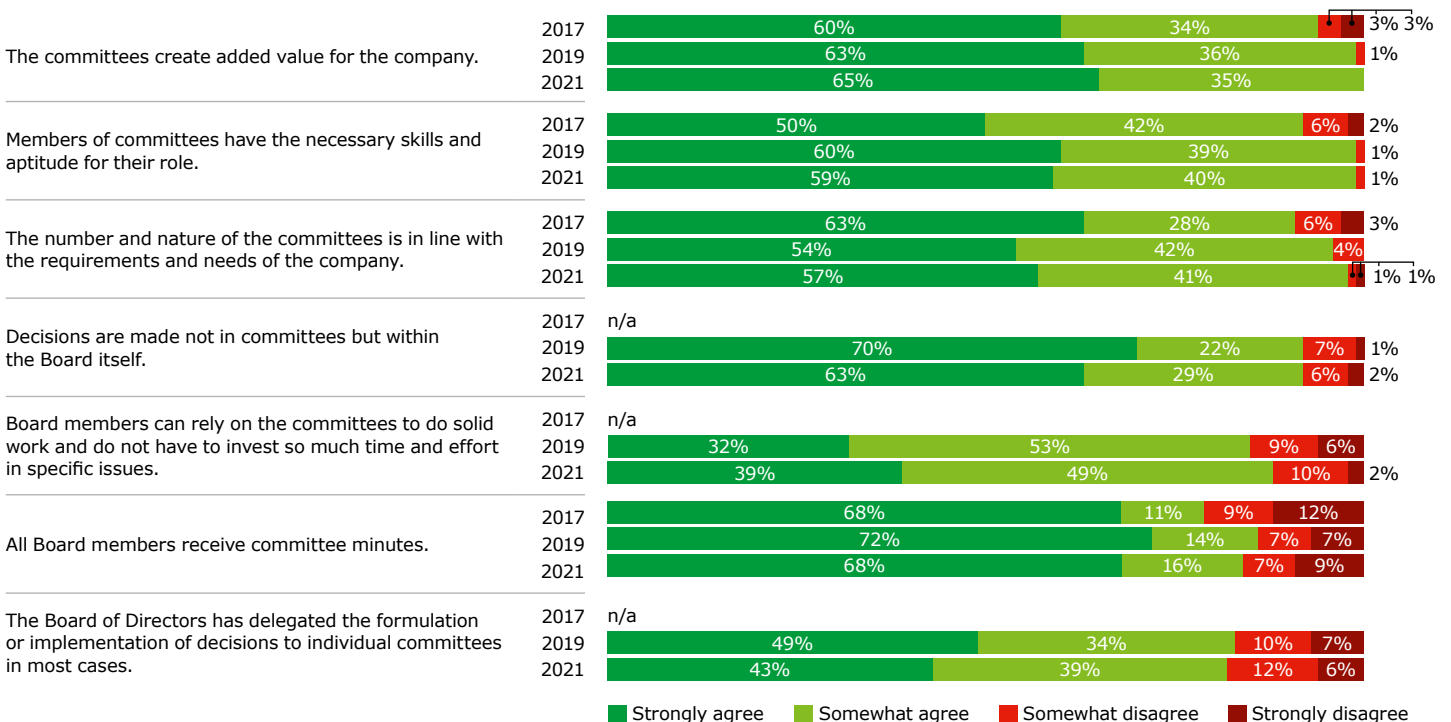
The overwhelming majority of respondents (92%) strongly agree or somewhat agree that **decisions are made not in committees but within the Board itself**. This reflects the statutory requirement that the Board has certain non-transferable duties, although it may “assign responsibility for preparing and implementing its resolutions or monitoring translations to committees or individual members” (Code of Obligations Article 716a/2).

The issue of whether other Board members can then rely on the committees to do solid work and not have to invest as much time and effort on specific issues attracts a range of opinions – and perhaps rightly so. Just 39% of Board members surveyed strongly agree with this statement, which is probably attributable less to a lack of trust and more to awareness of the Board’s over-arching responsibility, and of the problem of some members taking a more relaxed attitude to detailed scrutiny.

Respondents’ assessment of the work of committees is largely in line with the findings from 2017 and 2019, demonstrating that over time, swissVR Monitor provides a reliable and robust barometer of the views of Board member.

Chart 14. Evaluation of committees

Question: Please indicate your agreement with the following statements about Board committees [n=175]



Interviews

The performance of a Board of Directors

Eftychia Fischer, Board member of Union Bancaire Privée, Vaudoise Assurances and Banque Cantonale Vaudoise

“A Board is most successful, and most useful to stakeholders, when it provides supportive oversight, guidance, and controls for management.”



Eftychia Fischer is currently a Non-executive Director of Union Bancaire Privée in Geneva, of Vaudoise Assurances and Banque Cantonale Vaudoise in Lausanne. She has over 30 years of experience in banking and finance, holding various roles including Group Treasurer, Group Chief Risk Officer and Head of Invest-

ment Management. She has experience in trading, asset and wealth management, risk management and control, as well as regulatory affairs. Born in Athens, she holds both Greek and Swiss citizenship and started in finance in 1986. She holds a BSc in Physics from Imperial College, London, UK and a BSc in Mathematics from the Open University, UK. She also holds the CFA designation, the FRM designation, and completed Wharton’s Advanced Management Program.

swissVR Monitor: How can the performance of a Board of Directors be measured and what are the main factors that determine performance?

Eftychia Fischer: Boards generally self-evaluate on the basis of a questionnaire annually. This is certainly a necessary and helpful discipline, and it allows discussion of their own view of their work as a team. Nevertheless, assessment cannot be limited to this. There is a constant process of assessing how well issues are handled, how well documentation covers the necessary information, how well the communication within the Board and between the Board and management is work-

ing. A Board is most successful, and most useful to stakeholders, when it provides supportive oversight, guidance, and controls for management.

swissVR Monitor: What are the most important success factors for effective collaboration on a Board?

Eftychia Fischer:

Board composition: a sufficient spread of skills, experience and backgrounds including diverse points of view and ways of thinking.

Board culture: trust, open discussion, respect for dissent and above all the trust of and trust in each other and management.

Agenda setting: ensuring the right topics receive enough attention at Board level, with sufficient time spent on forward-looking strategy and tactics, without losing sight of the risk control and oversight functions. Ensuring adequate, (sufficient and efficient) documentation is available. Ensuring management is aware of and aligned with Board priorities.

External input: Board members bring an outside view on markets and regulatory, societal and other factors which should flow into the firm and add value to management’s thought process over and above the information available internally.

swissVR Monitor: How important is a regular and in-depth Board performance evaluation?

Eftychia Fischer: It is extremely important to avoid complacency or ‘group-think’ by regularly questioning the functioning of a Board and assessing its performance. It should not, however, be so frequent that it replaces the actual functioning.

swissVR Monitor: What are the best practices for a Board of Directors as a body to evaluate its work?

Eftychia Fischer: Best practice certainly includes an annual self-assessment, an ongoing review of how specific issues are being handled and from time to time, say every 5-7 years or so, an external assessment.

swissVR Monitor: What are the most important topics that should be addressed in a Board evaluation?

Eftychia Fischer: Certainly, the subjects mentioned in question two above, and also the management of meetings, their frequency and duration as well as coverage by committees.

swissVR Monitor: How has the evaluation process (the work of the Board of Directors) changed over time?

Eftychia Fischer: Over the years, more focus has been placed on assessment and self-assessment. From being a rare or absent process, it went through a tick-the-box phase and has now become a useful tool for the management of Boards' activities, at least in many cases.

swissVR Monitor: Does it make sense to have the Board of Directors evaluated periodically by an external party? Have you already had experiences with such external evaluations?

Eftychia Fischer: Yes, it is often a useful exercise. Its usefulness very much depends on the quality of the assessor and the engagement of the Board and management. It is important that those members of management who regularly interact with the Board should be included in such a process.

The potential challenges of evaluating Boards of Directors

Martin Hirzel, President of Swissmem and Board member of Bucher Industries AG and Dätwyler Holding AG

“If evaluations are carried out properly, they are immensely valuable to both the Board and the CEO in ensuring mutual accountability for clearly defined expectations and avoiding the risk that the Board meddles in day-to-day management.”



Martin Hirzel is President of Swissmem since January 2021 and has been active in Swiss industry for over 20 years. He is a member of the Board of Directors of Bucher Industries AG, Dätwyler Holding AG and two privately held SMEs. He is also a member of the Regional Economic Advisory Board of the Swiss National Bank and

chairs the Advisory Board of the ZHAW School of Management & Law. Until the end of 2019, the Zurich native was CEO of Autoneum Holding Ltd for nine years. Before that, he led the market region South America, Middle East & Africa for four years, mainly from the headquarters in São Paulo (Brazil). Between 2000 and 2007 he lived in Shanghai (China), where he was responsible for building up the local presence of Rieter Holding Ltd. Martin Hirzel started his professional career with an apprenticeship, later studied business administration with a specialisation in industry and international production at the ZHAW and finally completed the GMP at Harvard Business School.

swissVR Monitor: To what extent do the Boards with which you are involved differ in the way they scrutinise and assess self-evaluations of their work and performance?

Martin Hirzel: All self-evaluations are very similar in practice, as they involve a written process using standardised forms. However, the process of setting targets varies from one Board to another, so the content of these evaluations varies too. Ideally, Boards set overarching goals for a multi-year work cycle, so it is not always easy to allocate scores as part of an annual evaluation. Some Boards are therefore now debating whether to conduct evaluations every two years rather than annually. Ultimately, every Board sets different criteria for evaluating its own performance in achieving its goals.

swissVR Monitor: What are the potential challenges of a self-evaluation of this kind?

Martin Hirzel: Unlike performance evaluation in an organisation where the line manager assesses his or her staff's work, the Board of Directors evaluates itself. Such self-evaluations are often quite positive. The Board of Directors is a team whose members all contribute their expertise and experience, so Board performance is not always easy to evaluate. And many such evaluations also lack one specific element – an external perspective, comparing the company with its competitors or with similar companies.

swissVR Monitor: What is the best way to tackle these challenges?

Martin Hirzel: A performance evaluation that systematically assesses specialist expertise and identifies current and future shortcomings tells you much more than simply assigning scores to performance over the previous business year. We do not want school report-type evaluations; what we need is an objective list of the issues on which we have spent our time and a subjective evaluation of how well we have fulfilled our primary responsibility.

swissVR Monitor: How do you ensure that the findings of your Board evaluation really do help to improve the way the Board works?

Martin Hirzel: The findings should be presented in summary form by a third person, possibly the secretary general – and there must be sufficient time for discussion, so this item cannot just be relegated to “Any other business”. The Board must discuss the areas identified as needing improvement and draw up action plans. It is important not just to present the key points but also to use the right language, with a balanced presentation that also highlights areas in which assessments and views differ – although care must be taken to protect the anonymity of individuals.

swissVR Monitor: How would you go about measuring the performance of a Board of Directors?

Martin Hirzel: In simple terms, a Board of Directors has three responsibilities. It sets the company's business strategy, it appoints the best possible CEO and management team to implement this strategy, and – as the company's highest supervisory body – it ensures that the company has appropriate information, supervision and audit systems. The Board of Directors is also responsible for ensuring that the company complies with statutory requirements and sustainability standards across its activities. The Board must periodically set goals within these broadly defined areas and then evaluate performance in relation to them. The effectiveness of this evaluation will depend largely on how the Board structures

the evaluation process. The survey should use a mix of free-form comment and questions involving ranking on a numbered scale, which remain the same from one year to the next, enabling the Board to track its performance over time. I also think that the CEO's views should feed into the evaluation but that his or her responses should be identifiable. I would advise against a personal individual evaluation by every member of the Board.

swissVR Monitor: What general advice do you have for Boards where cooperation and/or performance are not as good as they should be?

Martin Hirzel: I am glad to say that is not something I have come across, though I imagine that in such a case, it could be useful to involve an external adviser or a coach. If evaluations are carried out properly, they are immensely valuable to both the Board and the CEO in ensuring mutual accountability for clearly defined expectations and avoiding the risk that the Board meddles in day-to-day management. Evaluations also improve the way the Board and its committees work by clarifying roles and ensuring that everyone remains consistently focused on their responsibilities.

swissVR Monitor: Does the Board of SWISSMEM periodically conduct self-evaluation? And does it use a different methodology from the methodology that any other Board would use?

Martin Hirzel: To be honest, no – we have never systematically self-evaluated as a Board. But this could be a really good idea for the Executive Committee, so I shall put it on the agenda for our next meeting.

Evaluating SME Boards of Directors

Christian Wunderlin, Board member with mandates in the IT, finance and real estate sector

“With an SME Board, much of the activity takes place between formal meetings: the external Board members tend to be sparring partners and trusted colleagues for the management team and the owner, and to mediate between management and the owner if tensions arise. This means that there is a much greater focus on the human dimension within an SME Board, with issues often encompassing personal as well as corporate life.”



Christian Wunderlin is a non-executive member of the Board of Directors of AMAG Leasing AG, Bank Cler AG and InCore Bank AG, as well as exciting medium-sized companies in the IT, finance and real estate sector. He has many years' experience as a responsible person and member of risk committees, where he also

covers cyber and crypto risks. Christian Wunderlin began his professional career as a commercial apprentice. He became a federally certified expert in accounting and controlling, a federally certified business IT specialist and completed a Master of Business Administration degree (Rochester-Bern). He obtained a doctorate in Bradford, UK, as Dr. of Business Administration (finance) and in Bern as Dr. rer. oec. (business informatics). After spending 15 years in the IT industry and more than 10 years as a lecturer at the Institute of Financial Services Zug IFZ of the Lucerne University of Applied Sciences and Arts, Christian Wunderlin is now a professional board member and C-level 'sparring partner'.

swissVR Monitor: You are a Board member of a number of companies of differing sizes. How do SME Boards differ from those of larger companies, and what similarities are there in the way they operate?

Christian Wunderlin: The major difference between SME Boards and those of larger companies is the way their members work together. With an SME Board, much of the activity takes place between formal meetings: the external Board members tend to be sparring partners and trusted colleagues for the management team and the owner, and to mediate

between management and the owner if tensions arise. This means that there is a much greater focus on the human dimension within an SME Board, with issues often encompassing personal as well as corporate life. I serve companies where I speak to the owner every week or two – and as often as every day or two during critical periods for the business.

In larger companies, by contrast, much more of the work is done during formal meetings of the Board or its committees, which SMEs rarely have.

What all Boards have in common, regardless of company size, is the nature of the work they do. But the workload is greater for larger companies – and it is greater still in the case of regulated companies.

swissVR Monitor: Which factors determine how a Board performs? And can you actually measure performance?

Christian Wunderlin: Performance relates to the Board's goals and targets, so yes, it can usually be measured. In the SMEs with which I am familiar, this measurement is implicit: ongoing improvement and optimisation are the result of a lived feedback culture. With larger companies, Boards are formally evaluated or self-evaluate their own performance.

swissVR Monitor: What do you see as the no-go areas for Board members in the way they operate?

Christian Wunderlin: For me, the biggest no-go is a breach of perceived ethics and morals. In the context of working together as a Board, that means honesty and proactive transparency, so for me, the worst offences are failing to speak up and withholding information.

Other problems can be resolved if the individuals concerned more or less share an understanding of values. Here, I would include such issues as Board members failing to prepare properly for meetings, a lack of punctuality, or failure to boost orders to ensure optimum financing.

swissVR Monitor: Should the Boards of SMEs regularly evaluate the way their Board operates and performs? And if so, how?

Christian Wunderlin: As I have mentioned, this often takes place implicitly. And if 'implicitly' is too informal, then a good solution for SME Boards is to make time and space on the agenda each year for a discussion of whether the Board can make any improvements in the way it operates. In that case, addressing expectations explicitly is a tried and tested approach – asking questions such as “How will we know that we are doing things better?”

In Boards that find it difficult to create an open culture of feedback, external evaluation is one way of optimising their work. The findings of any evaluation are crucial, and where external evaluations create added value, such as boosting cooperation, enhancing strategy formulation or preparing more efficiently, then this is a good option.

I have found external evaluation works best through 360-degree assessments: responses are anonymous because of the hierarchy and business basis of the company, so they are also more honest. But if such evaluations are to serve the company's goals, it is important that expectations of the role of the Board are very clearly defined and transparent to all those taking part. Otherwise, respondents will use very different criteria, diluting the clarity of the findings.

swissVR Monitor: Are there differences between sectors that influence the way a Board works together and performs?

Christian Wunderlin: If Board members' skills are complementary and the Board has identified ways of optimising cooperation under the leadership of a competent President, then the only major influence I would identify is regulation. Boards in regulated sectors have to focus on a lot of mandatory issues, and this workload can impact on their performance.

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