Board Impact:
Understanding and measuring the impact of a private partnership board
Like the board of any enterprise, the board of a private partnership exists to govern. But determining the value delivered by the board is far from easy.

While it’s not unreasonable to infer that a successful firm must have at least a reasonably effective board, that does not mean its impact is all that it could be. A firm’s success will be attributable to a range of factors, such as favorable market or funding conditions, a high-performing and dominant CEO or managing partner who leads a highly capable executive management team, and/or an established brand or reputation that attracts and retains a highly motivated and talented workforce.

The board may be – and should be – a contributing factor to success, but board members should not assume that just because their firm is doing well, they are necessarily doing a good job. Of course, the converse is also true: a firm’s poor results are not necessarily evidence of an ineffective board.

So, how do we measure the value that a private partnership board is providing? One of the most powerful ways of understanding board impact is examining the experiences and perceptions of those with whom the board interacts most frequently: the executive, wider management, board secretariat and major stakeholders, including the firm’s partners. They are consumers of the board’s output – its governance – and are therefore, depending on the frequency and quality of their interactions, well placed to comment on its quality and impact.

For example, executives in firms with high-impact boards will be able to describe proposals that have changed for the better as a result of board-level scrutiny and dialogue. They will be able to tell stories about how the advice and support that they have received from members of the board have demonstrably added value to their work. Similarly, in firms where the board has a negative or limited impact, executives will say that boards and board members consume a lot of time and resources but fail to clearly advance management’s thinking, decisions or actions.

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The role of a private partnership board

Governing a private partnership has three main components: stewardship, oversight, and representation of, and accountability to, equity partners as owners of the firm and wider stakeholders. Each of these are explored below.

The amount of time and resources a board spends on these roles will depend, in part, on the statutory and regulatory requirements of the jurisdiction(s) within which the firm operates and its maturity as a business.

**Stewardship**

- Provides strategic leadership alongside management by ensuring that the purpose, vision, mission and priorities of the firm are clearly defined, owned and manifested in the activities of the firm, its partners and people.
- Sets the tone and visibly role-models the purpose and values of the firm, including promoting and protecting the ‘sense of partnership’ and focus on clients and markets.
- Nominates candidates for Board Chair and CEO (or recommends their removal) and determines elections be held to appoint a new Board Chair and CEO.
- Proactively scans the horizon for opportunities and risks, including addressing emerging major topics and trends.
- Works with management to develop effective board governance arrangements, ensuring that appropriate structures are in place.
- Helps to develop the CEO and the wider management team.
- Ensures that effective succession planning, talent management and leadership development strategies are in place and aligned to diversity, equality and inclusion goals.

**Oversight**

- Holds management to account for executing the firm’s strategy, and for the performance and conduct of the business, to ensure value is created and protected.
- Ensures that all partners are being treated fairly, equitably and ethically.
- Oversees and approves partner admissions, retirements and absences.
- Ensures the values of the firm are being lived and protected.
- Evaluates the performance of the Board Chair and CEO.
- Oversees the evaluation and remuneration of the executive.
- Oversees the risk framework and major risks to the firm, ensuring there is flexible scenario planning in place to understand emergent risks and appropriate mitigants in place.
- Oversees external reporting obligations and compliance with regulatory and legal requirements at various levels of the firm.
- Monitors adherence to, and the overall effectiveness of, the firm’s governance arrangements.

**Representation and accountability**

- Engages proactively and meaningfully with partners on all matters that relate to the governance of the firm, ensuring their voices are heard.
- Advocates for, and acts in the best interests of, partners as the owners of the firm.
- Openly and clearly explains the direction, performance and conduct of the firm to partners and stakeholders.
- Openly and clearly explains the impact that the board has had and the effectiveness of its governance arrangements to partners and other stakeholders.
- Board members act as effective ambassadors of the firm.
Evaluating the impact of a private partnership board

Over many years of advising, evaluating and developing hundreds of boards, we have identified a range of features, qualities and behaviors, based on the observations and experiences of stakeholders, that are common to boards performing at different levels. We have drawn these insights together to create a diagnostic tool that firm executives, wider management, partners and board members themselves, can use to determine whether a private partnership board is having a positive impact or not, and if it is, to what extent.

The tool focuses on the three key roles of private partnership boards (see page 3) and examines board impact along a four-point scale, from -1, where the board is actually destroying value, up to +2, where the board is adding value across all three of these roles. Including a minus value in this scale is important because, perhaps for the first time, it articulates how a board can be worse than ineffectual and can actually damage a partnership, destroying value and constraining management.

Our diagnostic tool provides a picture of what people are likely to experience when interacting with, or sitting on, boards that are operating at each of these levels. Users can compare their own board performance and behaviors with those referenced in the diagnostic tool to develop a sense of the level and quality of impact that their board is delivering.

In applying this tool with many boards, we have found that only the very best boards consistently perform at level 2. Getting to level 2 and staying there is the subject of the second article in this series.

Only the very best boards consistently perform at level 2.
The board is destroying value

The board consumes a lot of time and resources, distracting or preventing management from doing valuable work

- There are lots of requests at board-level for further information and analysis that do not add value, require a lot of management time and resources to service, and restrict management from moving forward.
- Without justification, the board and/or committees are heavily focused on detail.
- The style of some board members is unhelpfully challenging, even adversarial, resulting in management not being transparent at board level and/or appearing defensive in meetings.
- The board is overly directional with management. In the worst cases there is little or no trust in management. This blurs accountability for results and creates the impression that the board is running the firm rather than governing it.
- There are examples of board members and/or management expressing their disagreement with board decisions outside of formal governance forums, signaling to partners a sense of disunity.
- Individual board members struggle to contribute beyond their own business area, geography, area of expertise or to see the bigger picture. In some cases, they pursue personal ‘hobby horses’, consuming precious board time and limited management resources or over-engage with management outside of the board environment, resulting in mixed messages.
- Partners in the firm report a strong sense of disconnect between themselves and the board and do not believe that the board is furthering their interests.
- There is misalignment and frequent disagreement at board-level. Consequently, the board struggles to make decisions, hampering management from making progress. Even when decisions are made, they are often re-opened and re-debated.
● Management reports and proposals are readily accepted without sufficient challenge, with members deferring too easily to the view of the board chair or CEO.
● The quality of scrutiny is often poor with questions that are predictable, parochial, easy to answer and lacking in insight or vision, allowing management an easy ride. In such circumstances, management may become too relaxed, even complacent, knowing that they are not going to be subjected to penetrating questions or robust scrutiny.
● Most, if not all, agenda items requiring a decision by the board are approved first time. There is a reluctance to require management to do further work or provide additional information before decisions are made.

● Presentations or updates by the CEO and wider management tend to consume all or most of the time allocated on the board agenda and can feel like a ‘show and tell’, leaving little or no opportunity for board members to contribute or engage in iterative dialogue with management. They may not provide board members with any additional insights beyond what is already in the board pack. In the worst cases, management simply read through papers that have already been provided to the board and which should have been digested. This uses up valuable board meeting time on valueless activity.
● The voice of the board chair and/or the CEO dominates the boardroom. There is a risk of groupthink.
● The dynamic between the chair and CEO, and between the board and management, could not be described as a peer-to-peer relationship. In some cases, the line management arrangements between firm executives and individual board members as partners in the business make some board members reluctant to ask difficult questions of management.
● It is evident that some board members are poorly prepared for meetings and have not always read the board pack, asking questions that are addressed in the papers or spending disproportionate time on those papers that they have read and glossing over those that they have not.
● There is poor attendance at board meetings by some board members.
The board stops bad things happening

The board is impactful in its oversight role, protecting partners interests

- Management know that they will be effectively and constructively held to account by capable and engaged board members, so they prepare well for board and committee meetings.

- Risks to the firm are spotted and mitigated through robust board dialogue.

- There are clear examples of board monitoring leading to management rectifying poor performance and/or conduct inconsistent with the firm’s strategy or values in a timely manner.

- The wider partnership would say that the board is effective in its oversight of matters relating to partner equity and fairness.

- Although the board is respected and management regard board members as peers, it is rare for management proposals to be significantly improved by the board or its committees.

- Management do not tend to present their thinking and/or proposals to the board with enough time for board members to input and shape them effectively.

- Board communications to the wider partnership show that the board is predominantly focused on scrutinizing performance against the firm’s plans, KPIs and operational risks, as well as matters of compliance, regulation, and control.

- Board and committee agendas are shaped by management with minimal or no input from board members.

- Members of the board and management rarely spend informal time together.
The board enables great things to happen

In addition to effective oversight, the board is also impactful in its stewardship and representation/accountability role, ensuring the firm thrives for future generations of partners.

- There are clear examples of management proposals changing for the better as a result of board-level dialogue.
- Management describes the board helping them progress their thinking and decision-making on key topics.
- The CEO encourages the management team to seek input from board members outside of formal meetings without compromising the formal governance processes.
- Partners perceive the board chair and CEO to have a positive and respectful relationship.
- The board and management agree on the underlying reasons why the firm is successful. These reasons are monitored, protected and developed. There is also a collective understanding of where the firm is underperforming and why.
- Management share proposals with the board that are still in development, thereby giving board members sufficient opportunity to shape them for the better.
- Management report being able to speak openly at board level and feel comfortable exploring issues and concerns, even when they do not have the answer, together with presenting bold but potentially not fully formed ideas. When this happens, board members are constructive and non-judgmental.

- The board and management have agreed three to five strategic topics that matter most to the firm's success. These topics are discussed, debated and progressed in both management and governance forums, and perspectives from outside the board and firm are sought where necessary. From time to time, the board and management jointly communicate to the partners on matters of strategic importance to demonstrate alignment.
- The board is visible and proactively engages with partners and stakeholders to determine strategic priorities and to seek their feedback on how the firm's governance arrangements are operating and can be improved. Outcomes of board-management discussions are communicated to partners, including highlights of where there was dissent or additional discussion.
- Board members can describe to partners how important matters discussed by the board have been progressed by management and the board, and ultimately the impact that board decisions have had on the firm.
- Management describe board members as being effective at ensuring broader partnership support for major, costly and difficult board decisions. Overall, partners believe the board is focused on and progressing matters that are important to them, including inter-generational issues.
- External stakeholders describe board members as powerful ambassadors of the firm.
We hope you find this exploration of board impact in private partnerships useful. Please let us know your experiences of using the tool and how it might be improved. In our next article, we will outline our Private Partnership Board Effectiveness Framework – a route plan to help boards achieve and maintain level-2 status, delivering maximum positive impact for their partners and wider stakeholders.

If you are reading this but have a business that is not a private partnership, you may be interested to view the board impact diagnostic tools we have developed for family and corporate enterprises¹.

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