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# Board Impact

## Understanding and measuring the value of a board

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**It is reasonable to assume that good organizational performance is the result of a board doing its job well. However, this seemingly obvious statement is not as simple as it first might appear.**

Boards often assume that they are effective if the organization that they govern is successful. However, this causal link does not always follow. Organizational success might be the product of favourable market or funding conditions, a high performing and dominant CEO and executive, and/or an established brand or reputation that attracts a highly motivated and talented workforce. Boards should not, therefore, assume that just because their organization is successful, that there are no other contributing factors to this success. The reverse can also be true. That is, we cannot assume that poor organizational performance is necessarily the result of an ineffective board.

We know from experience and research that organizational success is multifactorial; the outcome of many factors, all interacting dynamically. Therefore, directly attributing, for example, the decision of a board to improvements in revenue or market share can be misleading.

We can, however, determine the value that a board is providing through understanding the experience of those with whom the board interacts most frequently, namely, the executive, wider management, board secretariat and major stakeholders, including owners. For instance, executives in organizations with high impact boards can often describe papers and proposals that have changed for the better as a result of board-level scrutiny and dialogue. They can tell stories about how the advice and support that they have received from members of the board has demonstrably added value to their executive portfolios.

Boards can also have a negative or limited impact on their organizations. In these instances, executives describe, for example, boards that are overly operational in their focus without justification and/or questioning from board members that is predictable and easy to answer.

## The best boards proactively discuss and debate the impact they are having.

Measuring the impact of a board starts with being clear about the various roles of a board given its legal and statutory context. Generally, a board has 3 roles:

### 1. Stewardship

- Provides strategic leadership to help ensure that the purpose, vision and mission of the organization are clear and owned
- Defines and visibly role models the values of the organization and proactively develops its culture and furthers its sustainability
- Helps build a highly effective management team
- Engages in self-evaluation, learning and development
- Advises on locally and culturally accepted norms and practices
- Helps to develop effective governance arrangements

### 2. Oversight

- Works to ensure it is properly informed in a timely fashion
- Seeks assurance from management
- Holds management accountable
- Monitors compliance with obligations at various organizational levels
- Oversees the risk framework and major risks
- Helps to ensure governance arrangements are effective and adhered to

### 3. Accountability

- Engages proactively and meaningfully with owners and stakeholders
- Openly and clearly explains the direction, performance and conduct of the organization
- Openly and clearly explains the impact that the board has had and the effectiveness of its governance arrangements

# Measuring the impact of a board

**There are 4 levels of board impact, with level 2 only being achieved by the most effective boards…**

## Level 0

**The board simply ratifies what management put before it and adds little or no value**

- There is little or no scrutiny by the board and its committees and/or the quality of scrutiny is poor.
- Most, if not all, agenda items requiring a decision by the board are approved first time. There is also an overreliance on approving board business via email.
- The engagement that the board has with its owners and stakeholders is minimal and tends to be reactive and defensive.
- There is poor attendance at board meetings by some board members and/or board meetings are cancelled at short notice.

## Level -1

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

- There are lots of requests for further information and analysis from the board that do not add value and require a lot of time and resources from management to service.
- The style of some board members is combative, resulting in executives not being transparent with the board and appearing defensive in meetings.

## Level 1

**The board is effective in its oversight and accountability role; stopping bad things from happening**

- Management know that they will be effectively and constructively held accountable so they prepare well for board and committee meetings.
- The board is predominantly focused on performance against 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.
- Management describe a hierarchical relationship with the board; a strong sense of ‘reporting to’ the board.
- Relationships with stakeholders and owners are good but tend to focus mainly on reporting against KPIs, risk management and mandatory updates.

## Level 2

**In addition to being effective at oversight and accountability, the board is effective in its stewardship role; enabling great things to happen**

- There are clear examples of executive proposals changing for the better as a result of board-level dialogue.
- The board spends most of its time focused on matters of stewardship, including organizational purpose, direction and strategic execution, appetite for risk, sustainability, culture, and talent.
- The board sets its own agenda with support from management.
- The board and executives work respectfully together, with executives seeking advice and helpful connections from board members outside of formal meetings.
- The board is visible and proactively engages with owners and stakeholders, including management, to determine strategic priorities and to seek their feedback on how governance can be improved.
- The board has informal ‘retreats’ and ‘away days’ with good attendance and engagement from board members.

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