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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 beyond their stewardship and oversight. The reverse can also be true. That is, we cannot assume that poor organizational results are necessarily the result of an ineffective board.

We can, however, determine the value that a board is providing through understanding the experiences 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 will be able to 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 work.

Boards can also have a negative or limited impact on their organizations. In these instances, executives complain of boards and board members that consume a lot of time and resources yet fail to clearly advance management's thinking, decisions or actions.

Based on our experience of advising, reviewing and developing hundreds of boards over many years, we have developed a tool to measure the impact that a board is having based on people's experience of that board.

The tool is founded on the 3 key roles of any board, namely: stewardship; oversight; and accountability (see table below for a description of each role). The impact of a board is measured along a continuum, from a -1 board that is diminishing value through to a +2 board that is adding value across all 3 roles. Further details of what you are likely to experience when interacting with, or sitting on, boards that are operating at each level can be found on the next page. In applying this tool, we have found that only the best boards consistently perform at level 2.

We hope you find the tool useful. Please let us know your experiences of using it and how it might be improved.

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, proactively develops its culture and furthers its sustainability
- Selects the CEO and helps to develop him/her and the wider management team
- Actively scans the environment for opportunities and risks
- Helps to develop effective governance arrangements
- Engages in self-evaluation, learning and development

2. Oversight

- Oversees organizational performance, conduct and strategy execution through seeking assurance and holding management to account
- Works to ensure it is properly informed on a timely basis
- 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 board impact: how do you experience your board?

There are 4 levels of board impact, with level 2 only being achieved by the best 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.
- If the board does scrutinize, the quality of that scrutiny is often poor with questions that are predictable and easy to answer.
- Most, if not all, agenda items requiring a decision by the board are approved first time.
- There is an overreliance on approving board business via email.
- There is poor attendance at board meetings by some board members.
- Board meetings are cancelled at short notice.
- The engagement that the board has with its owners and stakeholders is minimal and tends to be reactive and defensive.

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.
- Risks are spotted and mitigated through board dialogue.
- Poor performance is actively monitored at board-level and rectified in a timely manner.
- Whilst the board is respected, it is rare for management proposals to be significantly improved by the board.
- 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.
- Stakeholder engagement tends 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.
- Board members share useful insights and opportunities with management from their experience and network, including intelligence about market conditions and trends, geopolitical developments etc.
- There is consensus at board-level and with management on the reasons why the organization has been successful.
- The board spends most of its time focused on matters of stewardship. These include discussions and decisions relating to 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 proactively seeking advice and helpful connections from board members outside of formal meetings.
- The board is visible and proactively engages with owners and stakeholders, internal and external, to determine strategic priorities and to seek their feedback on how governance can be improved.
- The board spends sufficient informal time together to get to know one another better.
- The board has informal ‘retreats’ and ‘away days’ with good attendance and engagement from board members and, where appropriate, management.

Level -1

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

- There are lots of requests by the board for further information and analysis that do not add value, require a lot of time and resources to service and restrict management from moving forward.
- Without just cause, the board is heavily focused on operational detail.
- The style of some board members is unconstructively challenging, even aggressive, resulting in management not being transparent with the board and/or appearing defensive in meetings.
- The board is overly directional with management, blurring accountability for results.

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