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ARTICLE

BOARD EVALUATION – WHEN BOARDS 'BREAK'
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It is interesting to Google the words 'broken boards'. Unsurprisingly, the search only reveals matters relating to broken skate boards or surf boards, and there is no mention of companies or organisations, where their boards have been 'broken' so to speak by its members. Interestingly -- although there was a recent political connotation in this context where a President of a country has been accused of 'breaking' a Parliament -- one need not have much imagination to liken such an accusation in a similar context of a Chairman and/or the members of a board being accused of 'breaking' their board.

Whilst this analogy is used figuratively, in practice it may not be that difficult to 'break' or seriously damage a board of an organisation, and more so if good governance practices are not evident. Expectedly, where there are poor or no governance frameworks in place, the organisation is bound to experience negative consequences at some point in time, and this inevitably could lead to various forms of organisational dysfunction. And this is where the board will be held to account -- in many instances -- collectively and at an individual level.

South Africa has seen many examples where organisations have suffered serious blows as a result of embattled boards that have not been singularly aligned to serve the best interests of the organisation; as is required by its directors who serve as its fiduciary officers. Some of the notable, more recent South African examples of organisations that have been mired by various boardroom controversy that come to mind are the Landbank, SAA, SABC, Eskom, Cricket SA, African Bank, Athletics South Africa (ASA), the South African Post Office and Pretoria Portland Cement. Whilst many of the boardroom culprits are often let easily off the hook with massive 'departure bonuses', one really does need to question the immense damage which is caused to the organisation when these situations occur.

"Behavioral psychologists and organizational learning experts agree that people and organizations cannot learn without feedback. No matter how good a board is, it's bound to get better if it's reviewed intelligently."

Jeffrey A. Sonnenfeld

The trouble is that this practice is happening far too often with little consequences if any - which is not good for the organisation, its stakeholders, the market and not least the overall economy which ultimately bears the financial burden of what may be construed as reckless behaviour.

Besides trying to 'regulate' the appointment of directors in an organisation's Memorandum of Incorporation or its Constitution, organisations should pay far greater attention to the manner in which they appoint and govern the behaviour of their board members, including the chairman. The process of determining whether or not the board is performing at its optimum – both at a collective and individual level – will be determined by the *frequency* and *manner* in which the organisation genuinely commits itself to being rigorously evaluated. In simple terms, if any member of the board is found to be under-performing in their duties, they should be immediately removed.
Although this may seem harsh, one is reminded that the role of directors is one of subservience. If they fail in their duty to protect *all* the interests of the organisation in every way possible, then a number of their inactions must render them unqualified for their positions as directors.

A board evaluation -- also known as a board assessment or board review -- is a process which aims to assess, inter alia, the performance and the dynamics of the board on a variety of measures. These evaluations can be conducted either internally, by using a facilitator within the organisation or externally, by using an independent service provider. There are various methodologies used to assess the performance of the board and its directors, and some of these include questionnaires, interviews, focus groups, document analysis and even observation methods. Importantly, each methodology has advantages and disadvantages that should be carefully weighed before deciding which method, or combination of methods is best suited for the organisation.

Unfortunately, many organisations still treat board evaluations as a 'tick-box' exercise, instead of using the evaluation to improve, inter alia, the board's performance and its dynamics. In these instances, it is hardly surprising to see the number of boards that fail, and this is costing organisations dearly. Ultimately, board evaluations must be for the health of the organisation, and should not be influenced by the personal interests or preferences of directors. By conducting a meaningful board evaluation, the board may benefit in a number of ways. These include, (i) strengthening relationships between the directors, the CEO and management; (ii) clarifying the strategic direction of the organisation; and (iii) improving the decision-making capabilities of the board.

To experience the true benefit from board evaluations, the evaluations must be carefully considered before the process is commenced. Board evaluations should be carried out diligently, intelligently and thoroughly. Undoubtedly a certain level of 'maturity' will be required amongst the members of the board if the board evaluation is to be conducted by an external service provider or facilitator rather than it being conducted internally. The outcome of such evaluations may often result in some tough truths being revealed about the functioning and effectiveness of the board and its members.

"Board assessment is both a critical opening step and concluding phase of the board-building framework. Done well, it provides fantastic opportunity for boards to monitor their progress and renew their commitment to doing good work. Done badly… it can turn into a mechanical exercise that tests the board's patience and creates little or no value."

Beverly A. Behan

Boards of directors who genuinely seek to improve their performance, will seek to continuously 'up their game' for the benefit of the organisation, least so for themselves. But for those directors who are self-serving, they continue to pay lip-service to this critical function and therefore the evaluation is essentially ineffective, and this causes substantial harm to the board and the organisation as a whole.

The day is fast approaching when shareholders (and even employees and customers who have become disgruntled by shoddy directors performance) will institute class actions against these miscreants masquerading as strategic organisational leaders.

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