

# BEL Monthly Update



This month our regular contributor Jean Pousson (Director of Consultancy at Board Evaluation Limited) asks directors to reflect on their board's performance.

## Is your Board fit for purpose...

The excellent Grant Thornton Report on Corporate Governance for FTSE 350 companies published late last year showed overall improvement in the field of corporate governance with 62% of the companies displaying full compliance with the UK Corporate Governance Code (up from 57% for the previous year).

The Report showed, however, that certain areas, for example culture, succession planning and review of internal controls, received poor disclosure.

On the Board Evaluation front, there were also improvements with more disclosure and more evidence of external facilitation, as is required every three years.

Since inception we have carried out more than fifty Board Review exercises with varying levels of involvement from our consultants. The best reviews have been where the Chairmen have given us carte blanche to talk to all directors on a one-to-one basis and to also chat with other senior members of the management team who regularly attend or make presentations to the Board. We have been allowed to present our findings to the Board, with good time allowed for questions and discussions and have been allowed back after a few months to discuss areas where we highlighted some concerns.

This is in stark contrast to other assignments where we have felt that the Board and/or Chairmen only wanted a "tick box" exercise.

The purpose of a review is to improve the overall effectiveness of the Board; many Board members do not seem to understand this. They see our work as an intrusion into their busy schedule instead of welcoming our experienced consultants who have no vested interests in carrying out this review.

The Stanford Law Review once (not too long ago) contained an article by two US professors suggesting that, if many functions can be outsourced to professional firms, including strategic planning, then why not the Board? They argued that companies would never consider buying professional services from providers who are only willing (or able) to provide a few hours a month, so why settle for the same arrangements with your directors?

Radical you may think but you can see their viewpoint!!

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Our online tool provides a comprehensive check list of the many variables that we consider when carrying out a Board Review. You can read about the questionnaire on our website at: <http://www.board-evaluation.co.uk/index.php/services/7> Also, you can see our pro-forma questionnaire (which is always tailored before deployment to meet the client's specific requirements) by following this link: <http://www.surveygizmo.com/s3/3663888/04b97eebe4ff> There are well over 100 questions!!

But no checklist can compensate for the one-to-one interviews from experienced consultants. So, based on the discussions we have with Board members, here are some thoughts and questions for you to reflect on:

- Do we always reflect and give feedback after each Board meeting?
- Do we always seek to improve the performance of the Board?
- Is bad practice and bad behaviour stamped on immediately?
- Do we see the need for AOB as an agenda item?
- Do the non-executives constructively challenge?
- Does no one person dominate?
- Is the Board clear on 'discussion' agenda items as opposed to 'decision' agenda items?
- Is enough time allowed for all items, particularly strategy, to be discussed properly?
- Does the Board live the values of the organization?
- Are disagreements (assuming there are any) well-handled by the Chairman?
- Do we understand that Boards, like families, can be dysfunctional at times?
- Are the non-executives truly independent?
- Is there a nice balance of age and experience on our Board?
- Would we pass any diversity test; i.e. gender, ethnicity, and above all diversity of thought and knowledge?

If you feel uncomfortable about any of the above, do give us a call for a confidential chat.

And finally, a question we always like to ask during our one-to-one interviews...What would make someone not get on with you?

**The Government** has recently published its response to the Corporate Governance Reform green paper consultation and this document can be seen by following this link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/640470/corporate-governance-reform-government-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/640470/corporate-governance-reform-government-response.pdf)

The main areas covered are executive pay, stakeholder voice, governance in privately held businesses and boardroom diversity.

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