

Board Performance Review

The increasing governance and compliance requirements placed on Boards of non profit organisations include the expectation that they evaluate their performance regularly. This information sheet outlines principles for effective Board reviews and offers some practical information for Boards that seek to evaluate their efforts. It should be read in conjunction with NCOSS Information Sheet 21: Quality Improvement Standards for Management and Governance in the Community Sector which outlines the standards against which effective governance is commonly measured.

These standards are:

- **Organisational Purpose:** Organisational goals are clearly articulated and aligned with clients' needs and aspirations.
- **Leadership:** Leadership within the organisation is able to provide direction and strategies to ensure the organisation's goals are achieved. There is a collective sense of purpose that enables the organisation's philosophy, goals and service priorities to be identified and met.
- **Legal and Regulatory Compliance:** The organisation understands and complies with all relevant legislation and regulations and manages its contractual obligations effectively.
- **Policies and Procedures:** Policies are developed both to guide the operation of the Board and to support the organisation's service delivery and administrative operations.
- **Accountability:** At every level of the organisation, there are appropriate accountability and probity measures in place.

While governance codes and standards are clearly necessary, they are not sufficient to ensure that quality of Board performance. The rules and standards merely point to the goalposts but it is the way in which the Board members work together to achieve these standards that may determine the success of the Board. As a result there is an imperative to conduct regular Board reviews.

Why are Board Reviews Important?

Members of Boards or Management Committees are in a unique position, both legally and ethically to influence the performance of the organisation. By law, Boards carry responsibility for the policy, ethos and direction of the organisation, the obligations which the association or company undertake and the contracts into which they enter. As the pinnacle of the organisation, the Board affects the vision, morale and integrity of the workplace.

Many other factors influence the outcomes, for example the capacity of the CEO, the staff, finances. However the Board also affects each of these. It is therefore of critical importance for the Board to undertake regular reviews, to assess its strengths and weaknesses and to develop strategies to address any limitations that are identified.

Who conducts the Review?

Reviews are frequently carried out internally but increasingly outside consultants are being asked to advise Boards on their performance. While internal reviews are helpful in that there may be a greater inclination to frankness without the potentially embarrassing presence of a third party, this can lead to a narrowness of perceptions and a collective tendency to gloss over difficult issues. The effectiveness of an internal review can in fact be a reflection of how well the Board is functioning as the capacity for critical, open discussion is itself a positive indicator of effective operation in a Board.

How are Board Reviews conducted?

The methods and approaches of both the external and internal reviews vary but some aspects are common. Most external Board reviews involve a questionnaire that is either given to Directors or discussed in personal interviews. The best methodology involves the combined use of a comprehensive questionnaire and an interview with the Chairperson and with other Board members. In this way it is more likely that hidden concerns of Directors will be explored and reported back to the Board.

Internal reviews generally include a questionnaire completed by each Board member. The Chairperson normally takes leadership of this process and allows for feedback from other Board members about their performance. The Chair collates the feedback in a report and facilitates discussion on its contents.

The appraisal of individual Board Members commonly uses an in depth interview with each Board Member as the starting point. The interviewer, often a consultant, will ask questions designed to establish the behaviours of the Directors in and around the boardroom gaining a picture of their competence, as well as establishing how effectively they utilise their past experience, commitment to the organisation and the efforts they make to further its goals. In addition, each Board Member will be asked about their peers to complete a full peer-review review process. The idea of individual reviews may not sit comfortably with all Board Members and needs to be dealt with sensitively.

If members want to be sure that their Board is performing to its potential, then a Board Review and Board Member Appraisals are essential.

What is reviewed?

The areas typically covered in a Board Review, include:

Mission and Goals

- Board's mission and goals
- Terms of reference of the Board and its various committees
- Policy and strategic direction of the organisation.

Performance against Strategic Plan

- Development and monitoring of Strategic Plan
- Analysis of overall organisational performance
- Outcomes and attainment of performance objectives.

Board operations and processes

- Board's commitment and practice of regular reviews, including reviews of individual Directors
- Analysis of the Board's structure and composition
- Board recruitment process
- Diversity of membership
- Board induction and orientation
- Makeup of sub-committees
- Functioning of sub-committees
- Board members' knowledge of their roles and responsibilities and selection, support and training of the Chair
- Commitment of Board members to the work of the Board and the organisation
- Tenure and independence of individual Board members
- Board policies and processes including efficiency of Board meetings and decision making processes
- Relationships between Board members and the capacity to address conflict constructively
- Frequency and quality of information flows and presentations it receives
- Frequency of Board meetings and attendance at meetings
- Decision-making processes of the Board.

Relationships with Stakeholders – the CEO, membership, clients and funding bodies

- Communication with clients, funding bodies, members and other stakeholders
- Performance review, succession planning and remuneration of senior management
- The boundaries between Board and management responsibilities
- Quality of communication between the Board and the organisation.

Competencies of Board Members

In addition to assessing the capacity of the Board, it is important to evaluate the competency of individual Board Members. Areas include:

- Demonstrated capacity to maintain the values of the organisation including:
 - A commitment to social justice
 - Integrity
 - Independence
 - Respect
 - Tolerance
- Orientation towards outcomes such as quality service delivery
- Capacity to maintain a strategic orientation for the organisation
- Co-operation and collaboration with other Board members

The Chair needs the skills to be able to lead the Board, to mentor and work effectively with the CEO and management team and ensure that the management and Board are aware of the fundamental accountability of their respective roles.

Additionally, each Board needs specific skills or experiences in some of its Board Members though not all of them, particularly if it is to retain the critical value of diversity. Finance and accounting competence are needed for the Treasurer or the Finance Committee, whilst knowledge of the sector and the nature of service provision are helpful in any process that reviews outcomes for clients.

Tools for Evaluating Board Performance

Even when there is agreement on the importance of reviewing the performance of the Board, the choice of evaluation tool is critical. The central question is whether the review tool actually measures what it is intended to measure. At present, there is no Board review tool that has been standardised for Australia. However, a range of resources are available to assist Board members – (see references below). And provide a springboard for open and constructive discussion with the aim of sharpening the capacity of the Board.

Using the Results

Whether the review is conducted internally or externally, it is essential for somebody to take responsibility for collating the results and presenting them back to the Board. It is the Board's responsibility to formulate a development plan so that strengths can be optimised and weaknesses addressed.

Resources

NCOSS Sector Support

- [Templates and Resources](#)
 - [Monitoring Board's Performance: Adopting standards](#)
 - [Board Delegations](#)
 - [Quality Improvement Standards for Management and Governance](#)

Australian Centre for Philanthropy and Nonprofit Studies

- [Developing Your Board](#)
- [Board Evaluation](#) (Includes Free Board Evaluation Tool)

NSW Family and Community Services (FACS)

- [Corporate Governance](#) Chapter 1 in [Good Governance: It's your business](#) Includes an exercise Measuring the effectiveness of your board

Institute of Community Directors Australia

- [Assessing and Improving your Board](#)
- [Board Effectiveness Quiz](#)
- [Conducting a Once-a-Year Oil and Grease Change](#)

Australian Institute of Company Directors

- [Boards Skills questionnaire](#)

Network of Alcohol and Other Drugs Agencies (NADA)

- [Policy Toolkit 2nd Edition](#) (2015)

Board Connect

- [Board Evaluation Policy Template](#)
- [Governance committee terms of reference template](#)

Network of Alcohol and Other Drug Agencies (NADA)

- [Board Review Questions](#)

NB: The above websites were accessible on 17 August 2015. If the links do not work search on the title of the document or go directly to the organisation's website.