The 10 best ways to improve your board

Key insights, expert strategies, and actionable checklists from recent research

Board Benchmarking

Corporate Governance Institute

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1. Introduction

Nick Barnett, Executive Chair of Board Benchmarking and Insync, was invited to lead a webinar with the Corporate Governance Institute on the 10 best ways to improve your board.

The discussion covered:

- Why it is important to improve a board's effectiveness
- The most important categories of a board's effectiveness
- The top 10 ways to improve your board

Prior to the webinar, attendees contributed to the discussion by completing a short survey and responding to some questions. 121 people responded to the survey, including 42 Directors, 42 Executives/others and 37 unspecified. Several of their survey ratings and written responses are referenced throughout this report. Survey ratings have been aggregated and all comments have been anonymised to protect respondent confidentiality.

Respondents rated survey statements on a 7-point scale and were invited to think about a particular board when responding to the survey. To simplify the reporting of the ratings in this report, we have combined survey responses into three categories as follows.

Disagree	Neutral	Agree
Strongly disagree (1) Disagree (2) Slightly disagree (3)	Neither agree nor disagree (4) Slightly agree (5)	Agree (6) Slightly agree (7)

The webinar brought together a diverse range of boards, from very small to very large from over 80 countries.

This report includes the 10 best ways to improve your board and observations from webinar attendees. Plus, a checklist of the main improvement opportunities for boards.

2. Executive summary

Better boards mean better organisations

Webinar attendees overwhelmingly agreed that better boards mean better organisations. The contrary is also true; poor-performing boards will eventually lead to poor-performing organisations. This agreement underlines the importance of boards setting a high bar for their performance and effectiveness and increasing the value they add to their organisation.

20 distinct categories of a board's effectiveness

Board Benchmarking identified the 20 distinct categories of a board's effectiveness following deep research in 2020 with the assistance of Deakin University. These 20 categories were reviewed and discussed with conference attendees, with no participants suggesting additions or removals from the list. When measuring and improving your board's effectiveness, it is essential to ensure that any survey or other measure covers all 20 distinct areas of a board's effectiveness.

10 best ways to improve your board

The 10 best ways to improve your board were discussed and guided by Nick. More detail in relation to each is included in Section 4.

1. Get the right board composition and renewal
2. Put purpose, not profit, at the centre of your governance
3. Be strategic and add value
4. Set a high tone from the top
5. Distinguish well between the role of the board and of management
6. Adopt the right committees to support the board's work
7. Invest well in good relationships and dynamics
8. Ensure effective board reporting and meeting management
9. Focus on talent management and succession planning
10. Embed continuous improvement

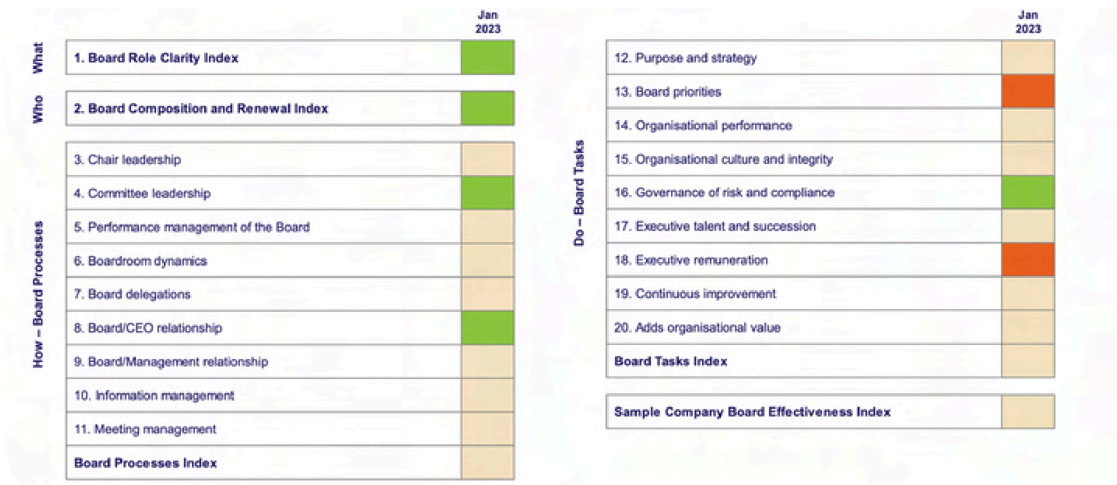
Questions of webinar attendees

Many questions were asked by webinar attendees. All those questions and Nick's answers have been included in the appendix.

3. An overview of how to measure and improve board effectiveness

At the webinar, we discussed the old saying that what gets measured gets managed. This saying applies well to board performance and effectiveness, just like anything else. Unless you have a reliable measure of board performance and effectiveness, you won't know the extent of your board's effectiveness, nor will you know whether your board is improving at the desired rate.

Boards will ideally understand how their overall performance and effectiveness compare to their peers. Ideally, they will also know how their performance and effectiveness compare in relation to each of the main categories of a board's effectiveness. Board Benchmarking's survey and benchmarked reports show boards precisely that, as shown by the example reporting below.



Legend: Bottom quartile 2nd and 3rd quartiles Top quartile

Nick Barnett shared that for 15 years, Board Benchmarking's survey framework comprised 10 categories of effectiveness. Following an in-depth review, including a psychometric and statistical analysis by Deakin University, the framework was updated in 2020 to the current version shown above. He noted that it took 15 years to realise what many now consider obvious—there are 20 distinct categories that define a board's effectiveness.

Webinar attendees were asked to identify any of the 20 categories that could be removed as non-essential to board effectiveness, as well as suggest any missing categories. No changes— either additions or deletions—were proposed.

4. The 10 best ways to improve your board

It was noted during the webinar that the views set out during the webinar and in this report are the overall average views of those who responded to the survey. It was also pointed out that the average views of others in relation to their board is not relevant to your board. Webinar participants were encouraged to take a rigorous view of the relevant matters in relation to their own board.

4.1 Get the right board composition and renewal

The foundation stone for having a great board is having the right board structure and composition. The right structure includes the right size and number of independent directors and the right committees supporting the work of the board. Ensuring the right committees is dealt with in Section 4.6.

The right composition means having the right mix of skills and experiences for the current and future strategic needs of the organisation. As can be seen from the results below, around 14% of respondents disagreed that this was the case, and another 20% or so couldn't agree or strongly agree that this was the case.

Many boards are paying much more attention to this area than in the past. Many larger organisations have developed a Board Skills Matrix that sets out the skills and experiences required of directors. In our experience, it takes several iterations to update the Board Skills Matrix to ensure it has the rigour and sophistication that is desired.

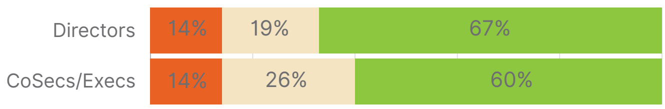
Many boards don't have enough directors on their board with deep experience in the core operations of the organisation and its industry. Ensure yours does.

The fact that many boards still don't have the appropriate diversity is also disappointing especially having regard to the significant director community and societal focus in this area in recent years – see below.

Too many boards are also not having the extent of ongoing renewal that is desirable.

Insight from survey respondents:

Directors, as a whole have the abilities, expertise and experience that match the current and future strategic needs of the organisation.



The Board ensures that it has appropriate diversity (e.g., gender, ethnicity, educational background, life experience, age, tenure, etc.).

Legend: Bottom quartile 2nd and 3rd quartiles Top quartile

4.1 Get the right board composition and renewal

"Invest in diversity to select members from a larger pool of talent and avoid groupthink." – Director response

"The on-boarding and training of new NEDs definitely needs work for a more effective introduction to the business." – Executive response

"Greater diversity and mix of capabilities needed on the board." – Executive response

Checklist for right board composition and renewal:

- ✓ Ensure the board has the right structure (size, number of independent directors, right committees).
- ✓ Ensure a good mix of skills and experiences to fit current and future strategic needs.
- ✓ Ensure deep skill and experience in the core business.
- ✓ Keep your Board Skills Matrix up to date – and include important behaviours.
- ✓ Ensure multi-dimensional diversity (age, background, gender, ethnicity, geographic, life experience and tenure).
- ✓ Select and support the right Chair and ensure a constructive feedback loop.
- ✓ Adopt an open-minded search and transparent search and recruitment process.
- ✓ Do appropriate due diligence before appointing new directors. Ensure a good cultural fit.
- ✓ Deliver a comprehensive induction into the organisations's purpose and activities. Also, set clear expectations for the contribution and behaviours of directors.
- ✓ Manage board renewal with appropriate tenure and ensure the regular introduction of fresh perspectives.
- ✓ Take a long-term approach to succession planning for Chair, Committee Chairs and replacement of important skills and experiences.

4.2 Put purpose, not profit, at the centre of your governance

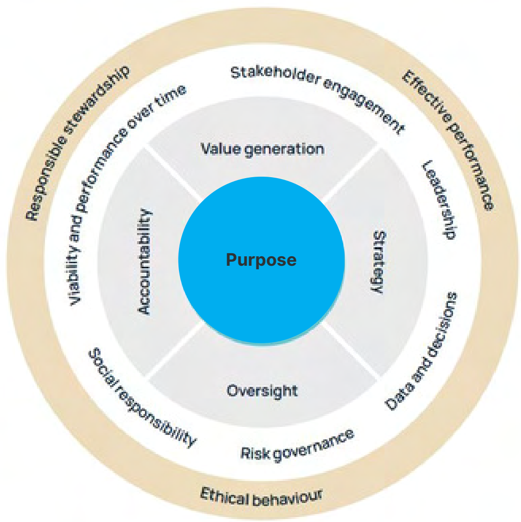
Until recently most directors had the view that their prime responsibility was to maximise their organisation's profit and act in the best interest of shareholders in doing so.

The Business Roundtable represents a group of around 180 of the largest companies in the US, with their CEOs as its members. Since 1997, the Business Roundtable has stated that corporations exist principally to serve their shareholders. In 2019, however, The Business Roundtable recognised that in the long term, the interests of all a company's stakeholders are inseparable. Based on that conviction, it proclaimed a very different Statement on the Purpose of a Corporation, which recognised a corporation's obligations to all its stakeholders.

The first global ISO standard on governance (ISO 37000) was released in August 2021. Instead of having profit at the centre, it has purpose at the centre. It also puts a much greater emphasis on ethics and sustainability and emphasizes the importance of embedding value creation, strategy, accountability and oversight into your governance. Refer to the diagram below, which is included in the standard.

Where the shades represent:

- Governance outcomes
- Primary governance principle
- Foundational governance principles
- Enabling governance principles



The short survey completed by webinar participants didn't include any questions on purpose. However, the comments by survey participants are included as follows.

Insight from survey respondents:

"A clearly guided process to revisit our purpose, the structure, would then allow us to establish a very clear Board Charter that sets us on the right path." - Director response

"Focus more on sustainability pillars." - Executive/Other response

"A better understanding of what good governance looks like and commitment to put it in place." - Executive/Other response

"Greater awareness/understanding of the threats and issues affecting the company." - Executive/Other response

4.2 Put purpose, not profit, at the centre of your governance

Checklist to look beyond profit to purpose:

- ✓ Read the Statement on the Purpose of a Corporation published by the Business Roundtable and consider whether your board buys into those principles.
- ✓ Read ISO 37000, the global ISO standard on governance, which has purpose, not profit, at the centre. Consider the extent to which the standard provides good guidance to your board.
- ✓ Deeply embed the principles of value creation, strategy, accountability and oversight into your governance.
- ✓ Consider all your stakeholders and not just your shareholders.
- ✓ Ensure long-term sustainability, including the protection of your social license to operate.
- ✓ Ensure ethical corporate behaviour by doing the right thing – not just by doing things right.

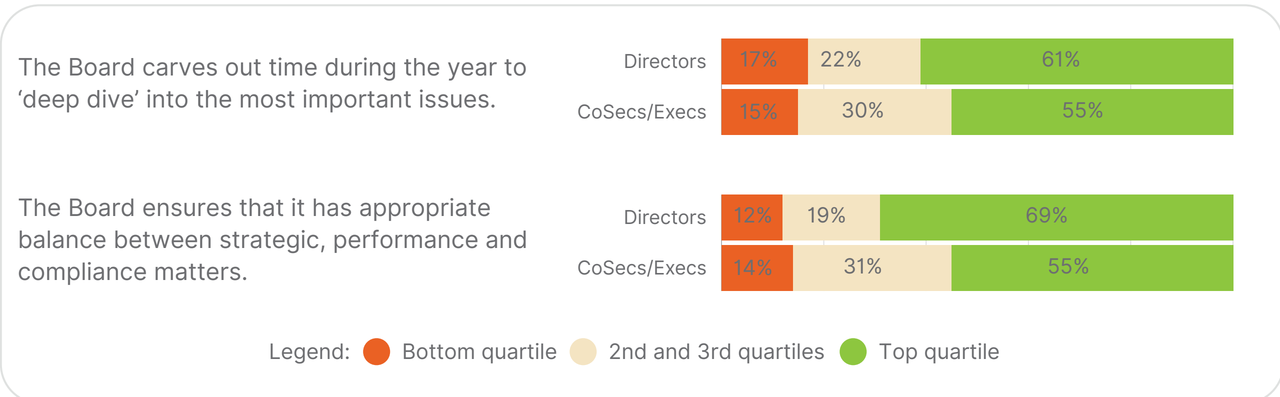
4.3 Be strategic and add value

The dual roles of a board to provide good oversight and to add value were discussed. Many boards focus on doing their oversight function quite well but don't spend the same effort ensuring they add value to their organisation and its executive team. The results below confirm this view.

It is the primary responsibility of the board to understand the organisation's greatest challenges both now and in the future and to focus their agenda accordingly. This will include having deeper dives at board and committee meetings into the most important matters.

At the webinar, we discussed the importance of the board understanding what we call the "3 big rocks." We refer to the 3 big rocks as being those areas that will add the most value and make the biggest difference to the organisation over the next decade and beyond. In our experience, it is rare for all directors to have a similar view of the most important areas of value add. If directors have different views as to the most important matters, the focus and energy put towards the larger number of matters will be dissipated. This is why we encourage boards to start with a long list of the most important matters and convert that into a structured short list of such matters for the board's focus.

Insight from survey respondents:



4.3 Be strategic and add value

"Directors should spend more time on strategic issues rather than on operational matters." – Director response

"We need to spend time for reflection and 'deep dives' on the issues that actually matter and are impacted by the potential direction the organisation might take." – Director response

Strategic priorities to be aligned." - Executive/Other response

Checklist to be strategic and add value:

- ✓ The board's two primary roles are oversight and adding value. Ensure that the adding value part gets appropriate focus.
- ✓ Ensure the board and management are aligned on and champion the organisation's Purpose, Vision and Values.
- ✓ The board should be engaged and provide input into the strategic plan. It should set the broad parameters for strategy development early in the process.
- ✓ Consider the big-picture external factors when developing a strategy.
- ✓ Ensure the board understands the main challenges, competition and key drivers of performance.
- ✓ The board should rigorously review the strategic plan. The plan should be realistic and well-resourced.
- ✓ Ensure there is a clear understanding of the main steps required to achieve the plan.
- ✓ Rigorously oversee the execution of the plan, including any cultural transformation required.
- ✓ Add extra focus on the success of major projects.
- ✓ Forge unity as to what the most important matters are, being those areas of most significant value add.
- ✓ Use the agreed priorities to drive the board and committee agendas with deep dives into the most critical matters.

4.4 Set a high tone from the top

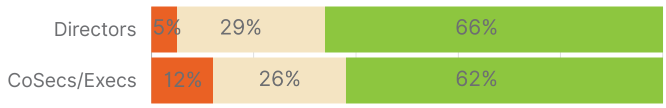
It was noted that everyone was watching the leaders of the organisation and taking their cues accordingly. They are watching what they do and how they do it just as much or even more so than what they say. This is the case for directors, the CEO and senior executives. This is why it is so important for directors to set an extra high bar for their own performance, contribution and behaviours.

It is unlikely that a CEO and executive team will set a higher bar for their own performance and that of the organisation than that set by the board, at least over the longer term. It is also important for a board to set a high bar in shaping the organisation's culture and ensuring that stakeholder relationships are managed well.

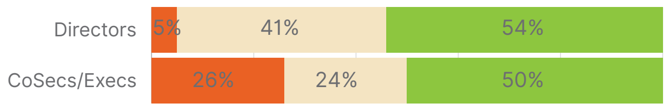
The results below show quite a large difference in the views of directors and executives/others on the same question. If that variation occurs on your board, it is important that you understand the perspectives of your executives and why those perspectives are so different from those of your directors.

Insight from survey respondents:

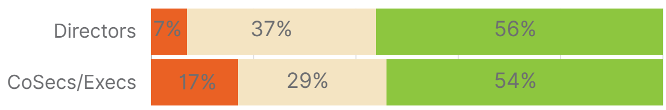
Our Board sets a high tone from the top in relation to the organisation's culture, ethics and integrity.



The Board takes an appropriate role in shaping the organisation's culture (i.e., by understanding the culture, the impact of what is rewarded and punished and overseeing and cultural change required).



The Board ensures that the organisation's relationships with its main stakeholders are managed well (including receiving appropriate information in relation to its employees, members, customers, suppliers, and the local community).



Legend: Bottom quartile 2nd and 3rd quartiles Top quartile

"Building leadership among the various board and committee membership." - Executive/Other response

"Transparency with all members." - Executive/Other response

Checklist to set a high tone from the top:

- ✓ Model and champion the organisation's Purpose, Vision and Values.
- ✓ Address poor director performance, contribution and behaviour promptly.
- ✓ Set a high bar for:
  - Performance – take appropriate action when performance measures are not met.
  - Integrity, ethics and culture – including rights of stakeholders.
  - Risk management and compliance - including cyber risk.
  - Sustainability – E, S and G.
- ✓ Embrace negative capability by sitting with uncertainty and resisting the tendency to react.
- ✓ Embed high performance and continuous improvement.

4.5 Distinguish well between the role of the board and of management

In our experience, this is an area where not enough boards tend to find the right balance. In many cases, the Chair, CEO and/or other directors get frustrated with the actions and behaviours of their fellow directors.

It is important to recognise that some tension in this area is healthy, as there is no precise dividing line between oversight and management. Big problems will arise if all directors delve too deeply into management matters. Different problems will arise if all directors delve too little into some important operational and financial details.

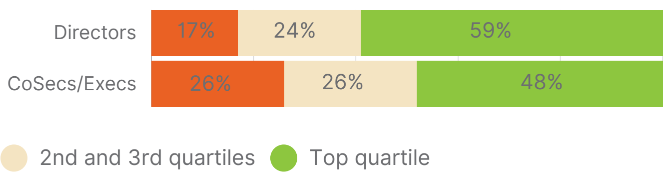
Also, the dividing line between board oversight and management can move as the context and circumstances change, which can make the management of this issue even more challenging.

The survey results reflect the above tensions and challenges. The results shown below are some of the least favourable survey responses, with executives having more negative views than directors on this matter. This is also an area where a clear understanding by the board of the executive perspectives and vice versa is critical if improvements are to be achieved and sustained.

If directors don’t develop a shared understanding of their role and delve too often and too deeply into operational issues, the oversight and value-adding roles of the board will be compromised. This matter is very much related to the matters set out in Section 4.3.

Insight from survey respondents:

All Directors demonstrate a clear understanding of their role (including how it differs from the role of management).



“We have a high calibre set of individual directors; however, roles and responsibilities are assumed not clearly stated.” – Director response

“Clear roles between the board and CEO.” – Director response

“Education on their role/s and how to carry out their duties.” – Executive response

"Clear roles between the Board and CEO." - Director response

"Clear description of executive vs non-executive responsibilities and tasks." - Director response

“Really clear definition of their roles and responsibilities.” – Executive response

Checklist to distinguish between the role of the board and management:

- ✓ Regularly update documentation of the board's purpose and role.
- ✓ Forge a shared agreement on the board's role and how it differs from management's.
- ✓ Ensure appropriate delegations to Committees and CEO/executives.
- ✓ Be strategic - not operational.
- ✓ Ensure regular reminders of the dividing line and intervene when appropriate.

4.6 Adopt the right committees to support the board's work

Board Committees exist to serve and support the work of the board. If a committee isn't supporting the work of the board, it should be disbanded, or elements merged into another Committee.

Sometimes, it will be appropriate for a committee to be redesignated as a Management Committee if it is primarily serving management as opposed to serving and doing the work of the board.

The detailed work of the board in relation to the oversight of audit, assurance, risk, culture, people and remuneration is often delegated to a board committee (e.g. Audit, Risk and Compliance Committee). This enables the board to focus more on the long-term direction, strategy, identity, and essence of the organisation and any transformation required.

Some boards have too many committees, and others don't have enough. The roles and responsibilities of many committees haven't been sufficiently updated to reflect the changes in the organisation's strategy, its industry, the economy and societal expectations.

It can often be appropriate to form an ad hoc or time-limited committee to oversee a special project or transformation. Co-opting one or more external experts to such committees can assist the committee with its oversight and value-adding role.

The short survey completed by webinar participants didn't include any questions or comments in relation to committees.

Checklist to ensure the right committees to support the boards work:

- ✓ Ensure you have the right committees that support the work of the board.
- ✓ Ensure they are board, not management committees.
- ✓ Use ad hoc or time-limited committees where appropriate.
- ✓ Eliminate double-ups and gaps. Overlapping some committee memberships can help.
- ✓ Ensure committees have the right composition. This can include co-opting external experts.
- ✓ Embed good leadership from Committee Chairs on committee-related matters, including in the boardroom.
- ✓ Drive clear recommendations and reporting to the board.
- ✓ Facilitate constructive relationships between the committee and relevant management.

4.7 Invest well in good relationships and dynamics

Building good relationships and dynamics doesn't just happen. It needs a deliberate investment of significant time, effort and goodwill. As boards become more diverse, which they need to, the greater the investment that is required in building relationships and rapport. Boards that are made up of those who went to the same school and play golf at the same club are likely to know each other already well. But the days of boards being comprised of school and golf club mates should be well gone.

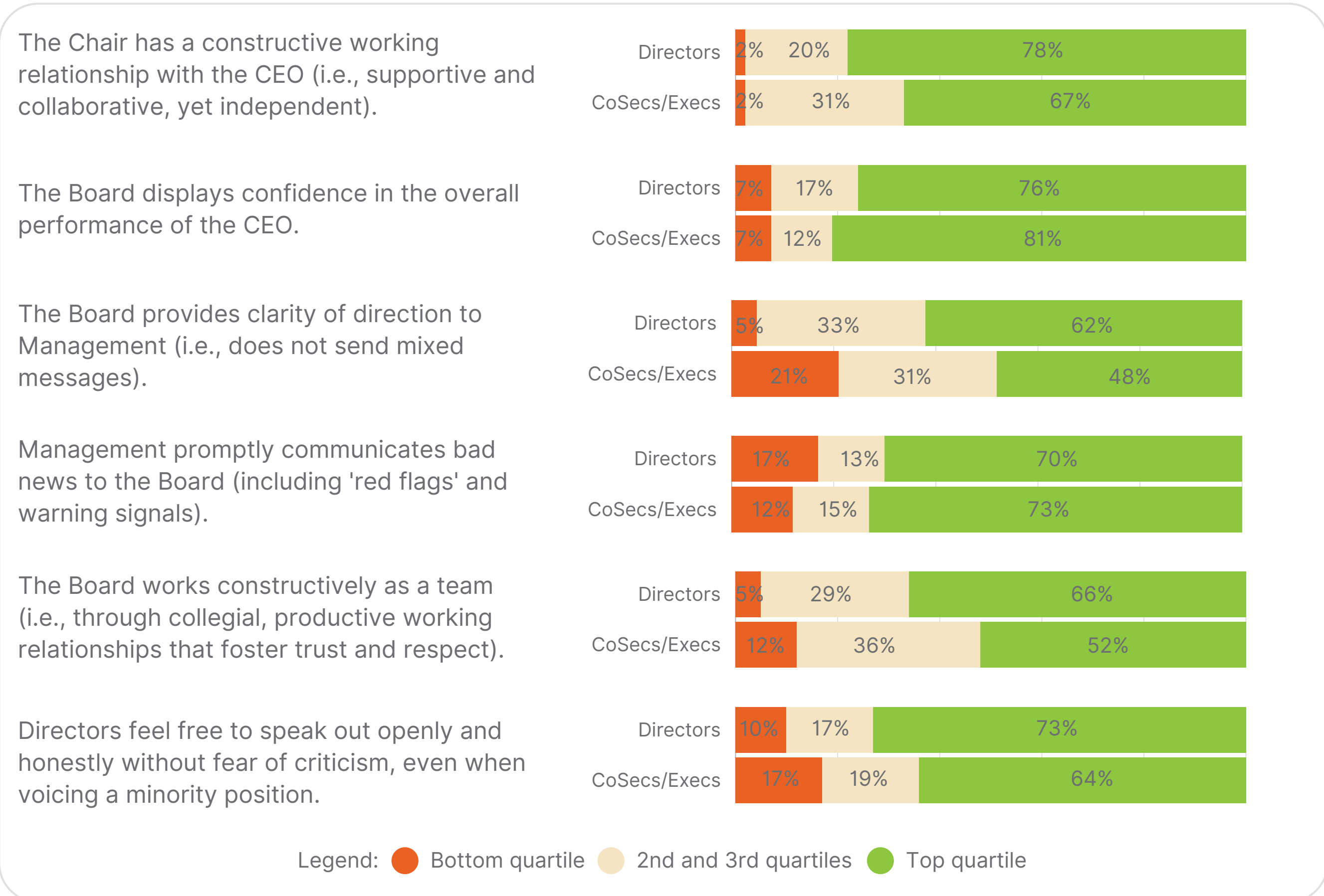
There is a high cost of not investing enough time and effort in getting to know each other, including each other's motivations. That cost can be sub-optimal relationships and dynamics and, at worst, dysfunction. Poor relationships and dynamics tend to breed poor relationships and dynamics. It also requires a much bigger investment and often significant interventions to recover from those poor dynamics and dysfunction.

Conversely, robust relationships and good dynamics breed a constructive and resilient culture that pays off in board functioning and effectiveness. And more effective and higher performing boards mean a more effective and higher performing organisation.

The question isn't whether other boards have good or bad relationships or are functional or dysfunctional; the question is, what about your board?

The survey data, which shows several different dimensions of dynamics, is set out below. It shows the dynamics and relationships of the Chair and CEO, of the board and management and the board as a whole.

Insight from survey respondents:



4.7 Invest well in good relationships and dynamics

"More interaction between management and Board throughout the year." - Director response

"Greater relationships with middle and low-level management." - Director response

"Ensuring consistent messaging in communications with senior management." - Executive/Other response

"Encourage open communication." - Executive/Other response

Checklist to invest in good relationships and dynamics:

- ✓ Recognise that the greater the board's diversity, the greater the investment needed to build relationships.
- ✓ Use informal opportunities (e.g. dinners) to help build deep relationships, trust and rapport.
    - Board and directors.
    - Chair/CEO – Board/CEO.
    - Committee Chair/ management.
    - Board/management.
- ✓ Promptly identify and resolve conflict.
- ✓ Promptly deal with any poor director performance, contribution and behaviours.
- ✓ Use external help if needed to get relationships back on track.

4.8 Ensure effective board reporting and meeting management

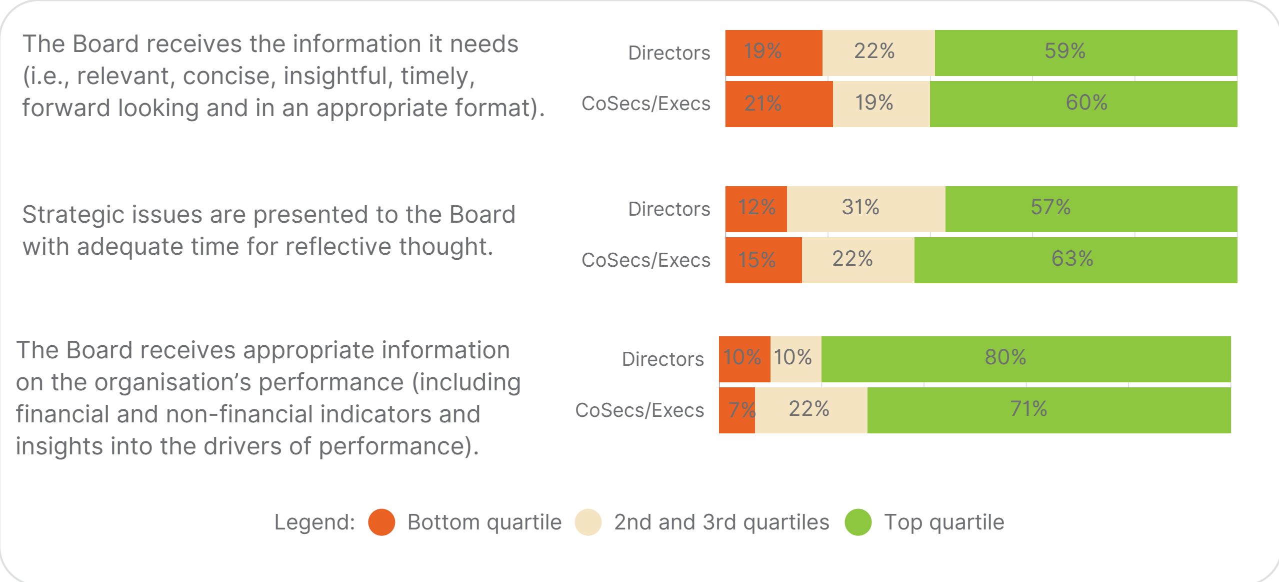
Information and meeting management are core functions and critical enablers of an effective board. At the webinar, the importance of setting important context and painting a clear picture, including links to past board papers and strategy, was discussed. The lesser familiarity and engagement of directors in relation to important organisational matters need to be considered by executives when preparing board papers.

The importance of information being relevant, concise, insightful and forward-looking was also emphasized. It was also important to include appropriate analysis and insights and not just data in board packs.

Devoting appropriate time for non-executive directors to meet by themselves without the CEO and other executives (in-camera) was also discussed. This allows the Chair Chair to keep the rest of the board appraised of the main challenges being dealt with and discussed by the Chair and CEO. Other directors are also given an opportunity to raise any concerns that they only want to be discussed in the CEO's absence. The in-camera session is also a good opportunity for a board view to be agreed on important matters. The Chair can also use it to calibrate the meeting by ensuring the most time is spent on matters important to directors.

4.8 Ensure effective board reporting and meeting management

Insight from survey respondents:



"Improved board papers and timely distribution of information, more time spent on strategy rather than looking backward on operations." - Executive/Other response

"Directors should spend more time on strategic issues rather than on operational matters." - Director response

"Board members to prepare properly for the meetings by ensuring they read the Board pack." - Executive/Other response

Checklist for effective board reporting and meeting management:

- ✓ Set the context, paint a clear picture, and include links to past discussions and strategies.
- ✓ Document alternatives considered and why they were discarded.
- ✓ Ensure relevant, concise, insightful, timely and forward-looking reporting.
- ✓ Provide adequate time for reflective thought.
- ✓ Ensure a balanced scorecard of financial and non-financial measures. Include key drivers of performance and key outcomes.
- ✓ Handle director requests for information well.
- ✓ Maximise discussion time, but do not allow management to repeat what is in the papers overly.
- ✓ Have regular and effective in-camera sessions, ideally at the start of the meeting.

4.9 Focus on talent management and succession planning

Nick pointed out that this is consistently the lowest-rated area of board oversight in its board surveys. Accordingly, there is a significant upside if it is done well, but it can only be done well with the appropriate dedication of time and focus.

Aligning organisational capability to the current strategic needs and adapting such for the future strategic needs of the organisation were also discussed.

Taking a long-term and strategic approach to talent management and scission was also dealt with. It was noted, for example, that a company's recruitment brief for a great replacement CFO will be very different from one for a great CFO who also has the potential to be a future CEO for the organisation.

The short survey completed by webinar participants didn't include any questions on talent management and succession. Comments by survey participants, however, were included as follows.

Insight from survey respondents:

"Invest in diversity to select members from a larger pool of talent and avoid group think." - Director response

"Conquering sensitive topics head on (e.g. succession planning)." - Director response

"Diversity, sustainability and succession." - Executive/Other response

"The right person, in the right place at the right time, with the right qualifications." - Executive/Other response

Checklist for talent management and succession planning:

✓ Devote appropriate time and focus to this area to achieve a significant upside if it is done well.

✓ Oversee the growth and development of the leadership talent pool;

- Ensure the right capability in the right areas.
- Ensure capability is aligned with purpose and strategy.

✓ Forge thoughtful, long-term succession planning for the CEO and key executive roles.

✓ Ensure appropriate visibility and development of talent further down the organisation.

✓ Take a very open-minded approach to this area by seeking out new approaches and innovations in this area.

4.10 Embed continuous improvement

The importance of starting with the board when it comes to continuous improvement was discussed with webinar participants. This includes regular reviews of the effectiveness and performance of the board, its committees and individual directors.

Embedding regular director feedback and formal feedback from the Chair at least annually was recommended. This will help ensure directors know how they are perceived, what additional areas of leadership are asked of them and any other changes expected of them. A robust process to provide appropriate ongoing feedback, including formal feedback to the Chair, is also recommended.

Embedding continuous improvement for the board and a robust performance review of the CEO will set a high tone for the high performance of the executive team and the whole organisation. Done well, high performance will become a way of life for the whole organisation.

Steps should also be taken to enable the ongoing growth and development of directors, including education in the activities and operations of the organisation. This will help the board provide strong oversight and the extra value added expected of them.

The short survey completed by webinar participants didn't include any questions on continuous improvement. Comments by survey participants, however, were included as follows.

Insight from survey respondents:

"Annual evaluation of the board performance." - Director response

"***More out of the box thinking to be promoted." - Director response***

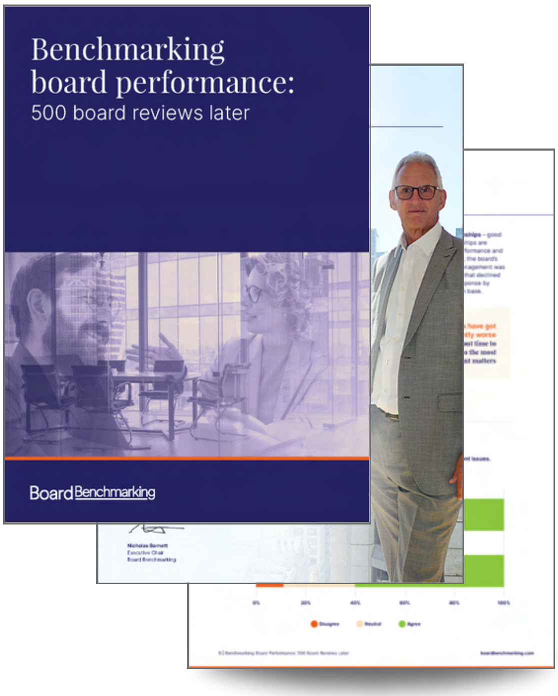
"***The ongoing training and development of the Board should also be enhanced as part of their professional development and meet with personal goals and aspirations." - Executive/Other response***

Checklist to embed continuous improvement:

- ✓ Start with the board!
- ✓ Set and maintain high expectations for director commitment, performance and behaviours.
- ✓ Ensure regular formal and informal feedback to each director and the Chair.
- ✓ Manage the CEO's overall performance well on behalf of the board.
- ✓ Ensure directors listen well and are open-minded.
- ✓ Embed a culture of ongoing learning and development of organisational, industry and contemporary skills and experiences.
- ✓ Make continuous improvement a way of life.

5. Read our most popular insights and research

Benchmarking board performance: 500 board reviews later



Board Benchmarking, together with our Board Advisory Partners from around the world, has reached a milestone of conducting more than 500 board reviews.

To celebrate, we have put together this report to share our research, learnings and insights into what makes a highly effective board. Inside the report, you'll discover our 27 key learnings, a comparison of the first 250 reviews with the subsequent 250, offering a comprehensive overview of boards' development and a glimpse behind the scenes into the intricacies of board evaluations.

Click here.

Golf Club Governance in Australia: 4 steps to better outcomes

Melbourne, Victoria—Golf Australia and Board Benchmarking's sister brand Board Surveys released the pivotal report "Golf Club Governance in Australia: 4 Steps to Better Outcomes." Authored by Jeff Blunden of Golf Business Advisory Services (GBAS) and Nicholas Barnett of Board Surveys, this comprehensive study provides an in-depth analysis of the current state of governance across Australian golf clubs and offers practical recommendations for enhancing board performance and club sustainability.

Click here.

6. Benchmark your board against over 500 other boards

7. Appendix

We received a variety of insightful questions from webinar attendees. Below, you will find a compilation of those questions, along with our responses.

How could boards evaluate/measure the competencies of board directors?

Most board reviews should include a process to determine whether the mix of the skills and experiences on the board is appropriate to meet the current and future strategic needs of the board. This is usually done by way of a well-structured board survey with results that are ideally benchmarked against similar boards.

Competencies of individual directors, as opposed to the board as a whole, are often assessed by way of a well-designed Board Skills Matrix Survey. Rigour is added to such a survey if it includes a self and a peer review component. The peer review component helps determine what other directors think of the skills and experiences of each colleague. This will include the extent to which the skills and expertise of each director are exhibited and add value in the boardroom. The survey will consist of potential learning and development suggestions for each director.

Can you expand on what should be incorporated as part of the "induction" of new board members? Should board induction be done together with the senior management team to enhance integration?

The short answer is yes.

Many traditional inductions involved simply providing the new director with a large pack of documents and reports and asking the director to read them. This is clearly not adequate. Sharing appropriate documentation is important, but so are appropriate meetings with other directors and key executives and site visits, as set out below.

A good induction will involve one or more separate meetings with the senior management team and/or key executives. It will also include a meeting with the Chair during which the importance of constructive board culture is discussed and where clear behavioural expectations are set. Meetings are also likely to be held with each Committee Chair where priorities and expectations are discussed. New directors will often be encouraged to attend all committees at least once during their first six months or so, even if they are not members of the relevant committee. This will further add to their induction.

Meetings with external consultants such as external or internal auditors and other specialists relied upon by the company will be appropriate for certain directors (e.g. For a new Audit and/or Risk Committee member or someone being trained to chair such a committee).

A good induction is also likely to include scheduling site visits at appropriate times, either separately or with the whole board. Some boards also arrange for a new director to be "buddied" with a longer-serving director for a period to help accelerate the induction process. Induction refresher sessions after six or nine months to help accelerate induction can also arranged with the CEO and/or others.

In my experience with fund boards, the INEDs are not really expected or encouraged to get involved in strategy discussions. Management decides the company's strategy. INED'S can challenge but otherwise not be involved in strategy formulation. What are your views?

We have helped dozens of trustees and responsible entity boards and have experienced what you have outlined on several occasions. In such cases, we usually encourage the relevant boards and executive teams to reconsider their arrangements and add more value to each other.

In our experience, most boards want to be more involved in the long-term direction and strategy of the relevant fund. Also, assuming the board members have the appropriate skills, experience, and gravitas, the executive team would appreciate the board's input into strategy at an early stage.

In all cases where the board has provided input into the development of a fund's strategy over, say, six months, a more rigorous strategy has been signed off. Executives benefit from having a good discussion with the board about their expectations and suggestions prior to starting the strategy development process. Having further board input at critical stages during the development phase also adds value to the executive team.

The engagement of the board during the strategy development process also increases the likelihood of the board buying into and being greater advocates for the strategy. It also enhances the board's ability to oversee the execution of the strategy well.

7. Appendix

What steps would you recommend taking to deal with poor board member behaviours?

The best advice is to set clear expectations and prevent poor behaviours from happening. Cultivating a constructive board culture with a strong tone at the top, consistently reflected in behaviours, is essential. Aligning these behaviours with the organisation's values reinforces the importance of directors serving as role models for those values.

The following best advice is to deal with any poor behaviours promptly and competently. If the poor behaviour is a one-off, it can be dealt with well by the Chair and the relevant director having an appropriate discussion.

If none of the above steps have occurred, which is all too often the case, a more comprehensive intervention is usually required.

Occasionally, a director will contend that their poor behaviours are justified in the name of ensuring rigorous oversight of management. That can make things more complex and is not uncommon. Often, a whole board discussion will be needed to set clear expectations for directors of each other. Ideally, those expectations will be aligned with the organisation's values. External advice and/or assistance may also be required.

Here is a detailed article for more information - 5 steps to get the most out of your company director effectiveness reviews.

What does embracing negative capability mean?

Directors and senior executives have a natural tendency to be action-oriented. Embracing negative capability refers to being able to sit with uncertainty and resist the temptation to react. It involves zooming out and seeing the bigger picture and its implications instead of zooming in.

Here is a detailed article on this issue - Sitting with uncertainty.

How can you drive strategic over operational thinking at the board level? It is easy to get drawn into operations.

Many directors, especially newer ones and ones who have more recently had an executive role, often find it easy to be drawn into operational issues.

Setting clear expectations as to the role of the board and how it differs from the role of management is essential. This will ideally be done well during induction and continually reinforced by the Chair with the support of the CEO in board and committee meetings.

It is easier to drive strategic discussions and thinking at board meetings if the board's priorities and the organisation's strategy are front and centre in the board pack. Regularly linking issues discussed to strategy also helps. Ensuring all directors are aligned around the board's priorities will ensure that the board focuses on those matters that will add the most value. This is likely to include focussing on and helping drive the execution of the organisation's strategy. It will also mean that day-to-day management issues receive little or no attention.

Here is a detailed article on this issue - 10 prerequisites for a great board strategy day.

Why is there a difference in perception between directors and executives on culture and integrity?

It may be that some of the perceptions from executives and others include the views of some consultants, which might be why some of the executive/other ratings are low.

The question is not whether executives and directors on other boards have different views; the question is whether their views are aligned with your board's. And if the perspectives of your directors and executives are significantly different, what implications might that have for you and your board?

How does a board best deal with board succession? How can you prevent friction in this process?

We recommend to boards that they get everyone to agree with the process, protocols and timing that will be used in relation to board renewal. We also recommend that a rigorous process is developed with regard to the re-election of directors, for example, when they are up for renewal. Having agreed to the process, protocols, and timing, we recommend that boards trust the process and do not deviate from it without everyone's agreement.

7. Appendix

In the absence of the Dep Chair, who is best placed to resolve conflict between the Chairperson and the CEO?

If there are any indications of conflict between a Chair and CEO, the earlier it is recognised and dealt with, the better. Ideally, the Chair and CEO should deal with the conflict together. If they have not or cannot, it is typical for one of the most senior directors to help deal with the matter on behalf of other directors. The senior director can keep other directors updated on the progress made.

The Chair should also keep other directors clear on their perspectives and plans during an in-camera session (i.e. without the CEO in attendance).

Please explain what an 'in-camera session' means.

An in-camera session is a session with non-executive directors in the absence of the CEO and other executives.

An in-camera session allows the Chair to keep the rest of the board appraised of the main challenges being dealt with and discussed by the Chair and CEO. Other directors are also given an opportunity to raise any concerns that they only want to be addressed in the CEO's absence. The in-camera session is also a good chance for a board view to be agreed on important matters. The Chair can also use it to calibrate the meeting by ensuring that most of the time is spent on issues important to directors.

How is board effectiveness measured? What is the process, and does it include the "soft" skills, not only the "hard" ones?

Directors measure board effectiveness, and appropriate executives complete a board survey that is proven to be a reliable measure of board effectiveness. A resulting report that is benchmarked against similar boards will tell the board how it measures up overall and in each main category of effectiveness.

A good board survey will undoubtedly include soft skills such as essential relationships and dynamics. The relationships and dynamics of the Chair and CEO, the board and management and within the board should be shown as separate measures.

In your director effectiveness survey, what were some of the key highlights?

Our director effectiveness survey includes all the main attributes required of an influential director. Those attributes are included in the following four categories: personal attributes, teamwork, leadership and oversight.

All directors are provided with their own individual Director Effectiveness Report, generally by the Chair, following the completion of the Director Effectiveness survey. We recommend that Chairs and boards delve deeply into the Director Effectiveness Report with each director using the process set out here.

We plan to launch a FREE Trial of our Director Effectiveness Survey so people can try the survey and receive a sample report before they buy it.

What do you think about taking the opinion of the company secretary into account in the Board's effectiveness assessment?

We like getting the opinion of the CEO, company secretary and other senior executives who have significant interaction with the board. Their anonymity must be protected to encourage them to provide candid responses.

Getting the perspectives of the executives and directors allows their respective perspectives to be contrasted and significant differences to be identified. If the review process also involves interviews, the company secretary's views and those of other executives add value to the process.

7. Appendix

What % of your reviews have found mature, well-functioning boards? Or were all requiring improvement?

By definition, one-quarter of boards are in the top quartile of high-performance boards and 25% are in the bottom quartile.

There have been plenty of occasions when a board in the top quartile of high-performance boards fell out of the top quartile in a subsequent year. Similarly,, boards in the bottom quartile have climbed into the middle two quartiles or even into the top quartile within a couple of years with a determined effort.

We also provide between three and five recommendations to boards, no matter how good or bad they are. Those recommendations are designed to ensure the most significant possible increase in the board's effectiveness and, in the case of a high-performance board, to retain such high performance.

From your experience, how is a board assessment conducted by external consultants? What areas does the assessment cover? Do you think it is valuable for the board?

An externally facilitated board assessment can include several elements. Most start with an assessment of the effectiveness of the board as a whole. That assessment is often extended to add assessments of the effectiveness of committees and individual directors. An evaluation of the skills and experiences of individual directors and the board collectively to identify any gaps is being included more often.

All the above assessments can be done by way of well-designed surveys, which are often supplemented by interviews and other review procedures.

Board reviews add significant value, especially when boards carry them out with the intention to learn and improve and not just as a tick-the-box exercise.

The many testimonials on our website talk about the significant value added by a board evaluation.

How often do you come across dysfunctional boards? And what is your first top response/advice?

Sadly, way too often. In our comprehensive report titled, Benchmarking board performance: 500 board reviews later, we included a detailed article on this matter. That article reported that around 25% of the more than 500 boards we had reviewed had some form of dysfunction.

We say that this is the elephant in the room that boards, directors and company secretarial associations do not want to talk about. We also pointed out that many of that 25% do not know they are dysfunctional. And many do not have the capacity or the will to fix the problem.

We defined dysfunction as an impairment that has or is likely to adversely impact the board's performance, effectiveness, and decision-making significantly.

Some of the many causes and fixes were included in that article.

Many years ago, I was involved with a very interesting Strategic Balanced Scorecard development at AIB Bank. Are there similar templates/checklists available for Boards?

Yes, there are many balanced scorecard templates and checklists on the web that are available for organisations and boards.

Whilst we think that a template or checklist can give you a good starting point, you cannot assume that the template will be a good fit for your organisation. Having a good scorecard is essential to oversee the execution of strategy, but it's the discussions and debate in relation to what should be included that are most important. If directors and executives develop a shared understanding of why specific measures are important, then oversight and performance are likely to be enhanced.

7. Appendix

Do your board surveys have a particular focus on the indicative capability of the Board and CEO to deal with reputational risk management issues/risks?

Our board survey focuses on all the most important categories of a board's performance, effectiveness and decision-making. This includes the board and committees having the appropriate capabilities to match the current and future strategic needs of the organisation. It also contains appropriate governance of risk and compliance and adds value to the organisation's performance, sustainability and reputation.

Boards often add our Committee Effectiveness Module to their board survey. This module constitutes a light touch review of the effectiveness of each committee. It reviews the skills and capabilities of committee members, the extent to which the committee supports the work of the board and elicits recommendations for improvement.

The survey process identifies low benchmarked items and any hot spots that can be probed in more detail during any interview or other process. Suppose the board or CEO are perceived to have a lack of capability or not dealing with reputational risk management well, which will be apparent from the survey. As the survey items set out best practices, it will be clear what actions will be required to deal with the relevant issue(s).

What is your opinion on annual director appointments?

Annual director appointments are good in theory, as members should have the right to change the board if they desire. In practice, however, annual director appointments can be very disruptive to the board, executive team and the organisation.

That is why most boards opt for three-year terms for directors with reappointments appropriately staggered so around one-third of directors come up for reappointment each year.

About Corporate Governance Institute

The Corporate Governance Institute is a global provider of corporate governance education and certification, dedicated to enhancing the skills of directors, executives, and professionals. The institute offers a wide range of programs designed to equip leaders with the knowledge and tools needed to navigate the complexities of modern corporate governance. With a focus on integrity, accountability, and best practices, The Corporate Governance Institute is committed to raising governance standards worldwide, fostering responsible leadership, and driving sustainable success across organizations.

About Board Benchmarking

Board Benchmarking's vision is to set the gold standard for board and governance surveys worldwide. We are dedicated to enhancing the performance and effectiveness of boards across the globe because we believe that Better Boards lead to Better Organisations. We achieve this by offering world-class, validated and benchmarked board surveys supported by expert advice tailored to each organisation's needs.

With a comprehensive database of over 500 distinct boards, Board Benchmarking provides unparalleled insights and guidance to help boards excel.

Board Benchmarking is a division of Insync, a leading Australian engagement and performance measurement and improvement firm. It's sister brand, Board Surveys, provides even more affordable board survey options for small and very small organisations.

About Nicholas Barnett

Nicholas (Nick) founded Board Benchmarking and has over 35 years of experience as a governance expert, director, business leader and consultant. He is the Executive Chair of Board Benchmarking and Insync. He is also Chair of Pro Purpose and was previously Chair of Ansvar Insurance, First Samuel and Ambit Group. He has served as a director of Mission Australia and Stillwell Motor Group. Previously a partner at KPMG Australia, he is also a Fellow of the Australian Institute of Company Directors (FAICD).

Nick has conducted more than 200 board reviews, spanning a diverse range of organisations from Dexus, GrainCorp and HESTA to Snowy Hydro, World Vision and Red Hill Football Netball Club. He is an accomplished author, speaker and media commentator on governance, organisational culture and gender diversity. He has authored numerous articles and three books on leadership, culture, engagement and transformational change. He was also recently the primary author of Benchmarking board performance: 500 board reviews later and Golf Club Governance in Australia: 4 steps to better outcomes.

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