



Institute of Directors

Board Evaluation Review for LEP Business Board
Proposal

April 2021

The effective functioning of a board is a key factor contributing to the success of an organisation. An externally facilitated review of the Board can be extremely valuable in contributing to board effectiveness, which has been recognised through various governance codes over the years, typically on a 'comply or explain' basis. Whether an organisation is listed or not, a periodic and rigorous board evaluation process represents best-practice and should be considered as part of any governance or board effectiveness review.

Utilising our network of Consultant Facilitators, our interventions focus on examining the following:

- **Roles and responsibilities.** The extent to which the board and its members are successful in fulfilling their key roles and responsibilities. The extent to which individual members contribute to the achievement of these objectives.
- **Structures and procedures.** The extent to which the board and its members adhere to best practice in their structure and procedures.
- **Appropriate board behaviours.** The extent, to which the culture of the board and members, and the behaviour patterns of individual directors, is supportive of the effective functioning of the board.

Following this examination, we will provide a report detailing how the board is performing today, and if agreed between the Consultant Facilitator and your LEP Business Board, provide recommendations as to how the board and its individual members can perform more effectively.

Following the LEP Business Board's review of this discussion document, our next steps are for the board to decide the extent to which the various aspects are to be evaluated and the timeframes for these interventions to take place.

As agreed, there needs to be a Public Sector focus taken into consideration for this board evaluation. The IoD will select a course leader with suitable public sector experience to conduct this complete board evaluation. We will also draw on experience from working with other public sector bodies and the associated challenges they face.

Structure of the evaluation process

Each review may have slight differences in focus, priority and outcomes but will broadly follow a similar approach. The terms of reference of the board effectiveness review are agreed in advance by the board and the external facilitator. This can take the form of a full board evaluation or a more discreet evaluation of specific areas of concern. A full board evaluation process consists of the following stages:



The role of the facilitator

The role of external facilitator is not to sit in judgement over the board.

The constitutional position of the board at the top of the organisational hierarchy means that any review process will always be a form of self-review, even when guided by an external facilitator. The specific role of the external facilitator is to assist the board in coming to a more informed and objective view of itself.

The external facilitator will seek opinions and evidence concerning the functioning of the board and the performance of individual directors.

Conducting the evaluation

In order to conduct the evaluation, the facilitator may seek information on boardroom functioning from a variety of sources, including the following:

- Confidential interviews with individual members.
- Analysis of board and committee agendas, papers, attendance records and minutes (available online)
- Interviews with the company secretary and top executives.
- Group discussions and workshops with the board.
- Direct observation of board (previous board meeting recordings via Zoom available for observation)

The precise balance between each of these (and potentially other) sources of information would be agreed in advance between the facilitator and the Chairman or Senior Independent Director. However, it is important that the facilitator gains agreement from the board regarding proposed methods of evaluation.

Interview with members

Ideally, all member interviews should be conducted within a month.

Although the facilitator may seek evidence on how the board functions from a variety of sources, the most important source of information is likely to be the confidential interviews with individual members. It is essential that each member is willing to be open and honest with the external facilitator in these interviews.

The facilitator may utilise a variety of approaches when speaking with board members. In some cases, a relatively formal questionnaire may be used for the process. Alternatively, facilitators may organise the interviews in the form of structured or semi-structured discussions.

Reporting

Following completion of its evaluations, the facilitator would draft a board evaluation report. This report provides a balanced description of the functionality of the board based on the evidence that has been gathered during the evaluation process.

The report would not make value judgements in respect of the functioning of the board or offer advice as to how the board should function. Rather, it will provide a factual and objective summary of the evidence that has been gathered in the evaluation process.

The facilitator will deliver a final draft of the report to the chairman and the senior independent director. This will allow the chairman to prepare his or her response to the report, and potentially challenge any factual mistakes.

A final written report will then be provided.

Benefits of a board effectiveness review:

There are a number of benefits that may be derived from board evaluation. When embarking upon a board evaluation process, it is essential that a board or chairman is clear about the specific outcomes sought. These could include (but are not limited to) the following:

- Providing a periodic opportunity for the board to pay detailed attention to the firm's corporate governance framework, which can often be overshadowed by short-term business issues during regular board meetings;
- Testing members' knowledge of the business and its strategic situation;
- Assessing the balance of skills, knowledge and experience on the board
- Identifying weakness that can be remedied by training and development, or the introduction of additional or replacement board members;
- Reviewing current board and committee working practices, and considering how to improve efficiency;
- Reviewing the effectiveness of board's strategic thinking and decision-making;
- Providing an ongoing challenge to attitudes on boards with long-serving or dominant members;
- Generating information for shareholders and other legitimate stakeholders concerning the functioning of the board and overall approach to corporate governance;
- In those cases where the composition or membership of the board is inadequate, creating the conditions for a possible change of constituents.

Other points

- Our course leaders are happy to review your recorded board meetings recorded on Zoom for the 'observation' aspect
- The price for this board evaluation will very much depend on the number of interviews conducted, the amount of 'desk work' needed to review board documents etc

Further information to consider:

The timescale for the delivery will be developed and agreed with the LEP Business Board as part of the overall scoping. Dependencies include the timely provision of documentation, the time taken to mutually agree the final questionnaire set, the organisation and completion of the structured interviews identified and the Board's calendar.

Throughout the process, our consultants will review progress and capture feedback from multiple sources. This feedback informs discussions with the Board of Directors Development Lead (and agreed stakeholders) to measure progress and adjust the programme delivery, if necessary.

Please note suggested critical path items below:

1. Discovery and analysis

Our consultants will conduct a rigorous review of existing board level activities and documentation. This is a key step in scoping the questionnaire and approach. This step in the process is also used to assess the effectiveness of board papers, agendas, minutes, and board protocols.

Information that the consultants will, as a minimum, require access to is as follows:

- A clear view of the vision, purpose and values as articulated to the business
- Participants biographies
- Sets of board papers including but not limited to:
 - Last four sets of the LEP Business Board Board of Directors minutes
 - Typical board and committee agendas
 - Constitutional documents
 - 3 sets of financial documents/annual reports

This is a critical path item.

2. Confirmation of the questions for IoD Board Governance Questionnaire

The questionnaire has been designed to incorporate all the major aspects of a board and its committees.

All boards have elements of uniqueness in terms of vision, purpose, strategy, values composition, structure, and organisational design. Hence, we will work with the Board of Directors Development Lead and any other relevant stakeholders to configure the questionnaire to ensure its appropriateness for the LEP Business Board.

This is a critical path item.

3. Distribution of IoD Board Evaluation Questionnaire

The questionnaire will be sent to the 10 members (to include Chair and Deputy Chief Officer). Delivered securely online, it is designed as a self-assessment to gather primary information which helps to formulate the effectiveness of the governance structures and behaviours. The outputs of the questionnaire inform the basis of the structured interviews.

Completion by all participants is a critical path item.

4. Structured, confidential interviews

Although the consultants may seek evidence on how the Board of Directors and its members' function from a variety of sources, the most important sources of information are likely to be interviews with individual members. The consultants will seek to understand from interviewees specific positive and negative perceptions of the way they feel the board operates and provide an opportunity to comment further on areas for improvement. It is essential that each member and stakeholder is willing to be open and honest with the consultants in these interviews.

This is a critical path item.

5. Observations of the Board of Directors and Committees meetings:

Consultants will directly observe two LEP Business Board meetings (available via Zoom). The consultants will assess the effectiveness of the meetings and whether matters discussed are relevant and in accordance with best practice from the Garratt model. The IoD will need sight of the Board and Committee calendars to allow the observations to be scheduled. Ideally observations take place following the structured interviews.

This is a critical path item.

6. Drafting of findings and recommendations

Following the completion of the review the consultants will draft a board effectiveness report providing a balanced description of the effectiveness of the board and its members based on the evidence gathered. The report will provide a factual and objective summary of the evidence gathered. This will be shared with the Board of Directors' Chair in the first instance and feedback taken on board. In this session, the consultants will also scope the facilitated workshop with the full Board of Directors where the findings will be presented and an action plan developed based on the recommendations.

7. Presentation of findings to the LEP Business Board

This report, together with recommendations for improvements, should be delivered via a facilitated workshop to the LEP Business Board of Directors. During the workshop all members will be engaged in order to identify final areas of action to take forward

8. Final report, evaluation and de-brief

The final report will be submitted along with an action plan to create sustainable and measurable change. We recommend this is delivered alongside a debrief discussion to evaluate the quality of the experience and service overall. This can be supplemented with a secure online questionnaire circulated to all participants at the end of the review

Proposed Price*

*this may be altered following initial discussions with course leaders

£35,000+VAT to include the 8 steps outlined above

Excludes associated course leader costs (travel, accommodation, subsistence if required)

Excludes venue/catering costs, if required

Excludes hard copy of any IoD materials