



**Amrop**

# Context Matters



BOARD PRACTICE

## **Board Evaluation:**

A Shareholder Guide

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# Board Evaluation

## A Shareholder Guide

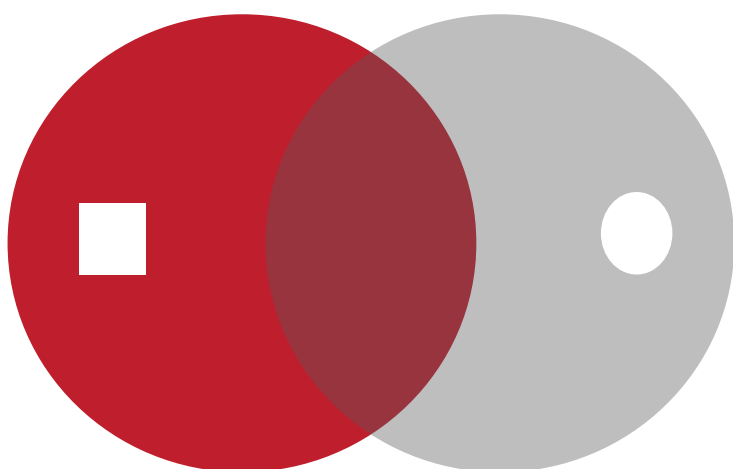
Supervisory and Executive Boards must act in the interests of their shareholders. Not exclusively, but sustainably.

How can the owners of a company go about evaluating their highest representatives and their achievements? On what criteria should Boards expect to be evaluated, and self-evaluate?

Financial results aside, this article focusses on the evaluation criteria we can find within two dimensions – material and human. Viewed systemically, these dimensions are closely interconnected and mutually affect each other.

However, there is a strong temptation for those in the evaluating seat to leapfrog straight into the human dimension – forming a judgment of an organisation's leaders.

We recommend a primary focus on the material dimension, and only after this, a sound and objective examination of individual and team competencies.



To what extent is communication open, rather than secretive or glossed-over?

### The Material Dimension

This does not only mean the formal 'manual' of obligations for Supervisory and Executive Boards. For the purposes of this article, we will assume that formal legalities and contractual agreements related to control and management issues are respected.

Instead, we are more interested in the idea of a regular assessment based on a clear set of criteria and strategies. Products and markets, for example, or investments, structures, processes and people. We therefore need to ask:

- Are opportunities and potential avenues for development recognized and successfully leveraged?
- Are destabilizing forces and risks detected and acknowledged on time?
- To what extent is communication open, rather than secretive or glossed-over?
- Are organisational imperatives correctly and contextually recognized?
- Is resource management effectively and sustainably driven in that resources of all kinds are optimally-deployed (neither overstretched, nor left dormant)?
- Is the organisation continuously and actively developed – and what are the vital signs of this?
- Is the brand portfolio properly cultivated? Are brand awareness and quality constantly growing and improving?

Passion for the cause and goals of the organisation must be rated demonstrably higher by Board members than personal gain or power.

### The Human Dimension

When it comes to evaluating the human dimension of Supervisory and Executive Boards, the following criteria, amongst others, should take center stage:

- The ability of Supervisory and Executive Boards to act as a self-critical and collaborative forum, defining strategic goals and implementing them in a timely way
- Their sense for societal shifts and the demands this makes upon the organisation – sensitivity to the first signs and signals
- The ability to handle complex and controversial situations – delicate subjects, conflicts, crises
- Credible and effective communications – both internally and externally
- Passion for the cause and goals of the organisation – rated appreciably and demonstrably higher by Board members than personal gain or power.

Good personal governance<sup>1</sup> is an essential part of the human dimension of Board performance. It demands, amongst other things:

- Well-trained and exercised competencies in self-reflection, self-evaluation and self-regulation
- Convincing reputation management – in the individual and collective sense, rooted in credible, ethically responsible Management Team policies.

<sup>1</sup>Personal Governance, Fredy Hausmann, Haupt, (2007)

If personal governance is robust and sustained, then the chances are high that the evaluation of Supervisory and Executive Boards will yield equally positive results.

### Priority-Setting - a Decisive Factor

Multiple observers and stakeholders are busy analyzing financial results and plans. It is essential that their conclusions be streamed into the indicators covered by the material dimension and can provide an objective basis for priority-setting. In this way, Boards and their evaluators can decide upon and address the most urgent and important areas of attention.

### In Conclusion

Robust organisational leadership and corporate governance are only possible in concert with equally good personal governance. If this is robust and sustained, the chances are high that the evaluation of Supervisory and Executive Boards will yield positive results.

## In Summary – a Board Evaluation Checklist

### Material Dimension

- ✓ Development opportunities and avenues: recognition, leverage
- ✓ Destabilizing forces and risks: detection and acknowledgement
- ✓ Communication: transparent vs. secretive/glossed over
- ✓ Organisational imperatives: recognition levels
- ✓ Resource management: effectiveness, sustainability vs. overstretched/left dormant
- ✓ Organisational development: continuity and proactivity, checking of vital signs
- ✓ Brand portfolio and awareness – cultivation and performance

### Human Dimension

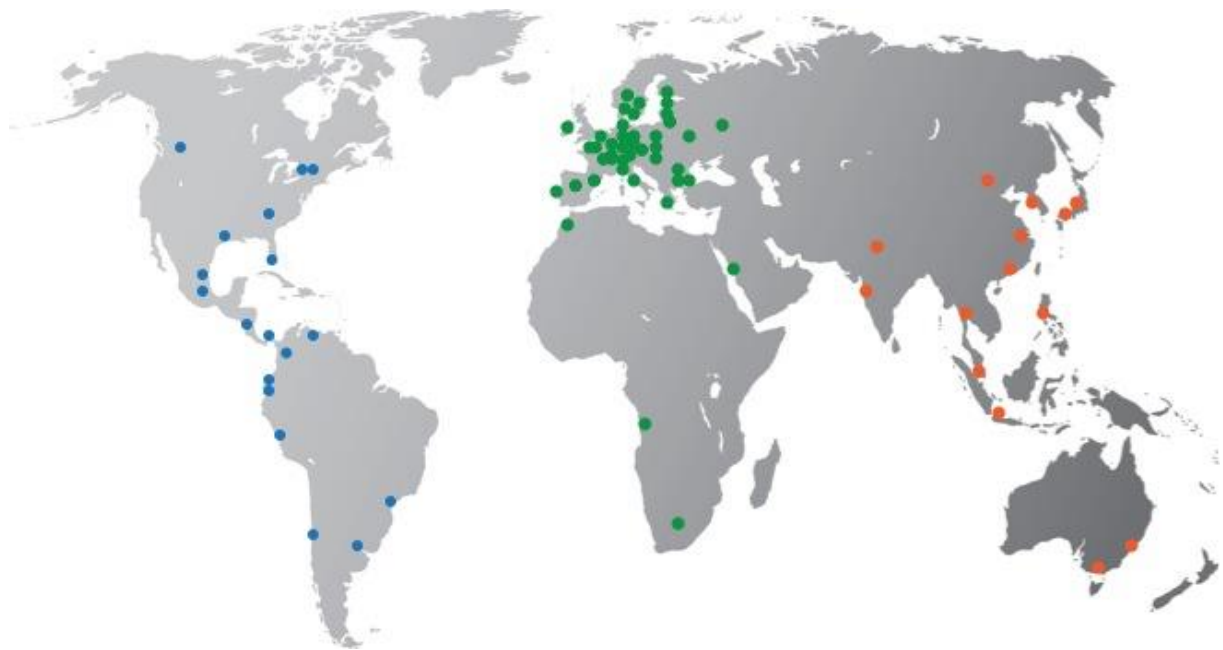
- ✓ Strategy definition and implementation: self-criticism, constructiveness, collaborativeness
- ✓ Alertness: to societal shifts and its demands – early warning system
- ✓ Conflict and crisis management
- ✓ Communicational effectiveness: internal and external
- ✓ Passion: prioritization of organisational goals and causes
- ✓ Auto-analysis: self-reflection, self-evaluation, self-regulation
- ✓ Reputation management: individual, collective

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## About Amrop

With 84 offices in 56 countries, Amrop provides services in Executive Search, Leadership Assessment and Board Consulting. It is the largest partnership of its kind.

Amrop works with existing Boards as well as helping start-up organizations ensure that their Boards of Directors are appropriate to the aims and core business of the company and compliant with Governance rules and regulations.



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