

Performance Management at the Board Level

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First Things First :

Key Issues

- What is the appropriate mix of skills & experience for boards in today's business environment ?
- Is there a linkage between diverse boards and superior organisational performance ?
- Where can boards source appropriate candidates ?
- Does broadening the skill base of boards have gender implications?

Key Issues

- Are recent major corporate collapses related to a lack of diversity (in skills & thinking styles) at the boardroom table ?
- Are different skills needed for public, government and not for profit boards ?
- What performance metrics should a Board review and monitor?

Key Attributes

- A background at general management level
- Specialist skills relevant to the Board
- Risk management skills
- Understanding of corporate governance
- Financial skills
- Business acumen
- Integrity

Board Diversity & Organisational Performance

- Definitive research needed
- General consensus is “yes”
- UK research says :
 - much better return to shareholders
 - higher profits if HR background on Board
- NFP's attribute success to diversity

Sourcing candidates

- Networks
- Specialist firms
- Advertising
- Succession Planning
- Observations from other Board experiences

Does broadening a Board's skill base have Gender/minority implications?

- Yes and No
- Core Issues are around the nature of the entity
 - its purpose, business or function
 - the competencies required

Recent collapses – linked to lack of diversity ?

- Many would argue yes
- The problem of Groupthink
- Dominant CEO
- Dominant Chairmen

Different skill sets for different sectors ?

- Again, yes and no
- In all cases, corporate governance awareness is crucial
- Skill gaps should be carefully monitored

Performance metrics to be monitored

- Strategic Review
- Financial Performance
- KRAs
- Corporate recognition
- CEO performance
- Board's own performance

Key Performance Management Issues

- Many directors have been CEOs/GMs et al
- Many have been “invited”
- Many focus on their appointment as an earned reward
- Group think/Dominant Chairman/Dominant CEO

Performance Models

A Strategically Timed Approach e.g

- Year 1
- Year 2
- Year 3

Performance Management continued

- Peer Assessment (360°)
- Key elements
 - Core criteria & Peer expectations outlined
 - Basics
 - Attendance
 - Research & Preparation
 - Task acceptance
 - Task completion
 - Issue identification/Idea generation
 - General contribution & original thought

Performance Management continued

Peer Assessment (&/or CEO)

- Key areas of responsibility determined
- Key criteria developed – peer group & executive
- Assessment methodology constructed & agreed
- Basics incorporated
- Alignment to
 - Strategic Direction
 - Strategic Intent
 - Business Plan
- Alignment to
 - Values
 - Ethics

Performance Management: Planning for a Board Career

1. Have a serious structured career plan with a marketing component
2. Achieve
3. Ensure a specialisation and something to offer in it
4. Embrace life-long learning
5. Complete the Company Director's Diploma
6. Contribute to a professional association and its standards

Planning for a Board Career continued

7. Contribute also to society (eg through not for profits or charities) - it gives balance
8. Develop a personal philosophy of strong ethics and integrity
9. Start young and/or early
10. Be an individual
11. Cultivate a mentor and build strong relationships

Conclusion

- A field for ISPI
- 40% of Public Boards have a system
- Education challenges
- Major adjustments for many

“The illiterate of the future are not those who can't read or write, but those who cannot *learn, unlearn and re-learn*”

Alvin Toffler