Pearl Meyer

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Approaches to Strengthening Committee and Full-Board Evaluations



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Editor's Note: Pearl Meyer is a strategic content partner for the National Association of Corporate Directors (NACD). Pearl Meyer is an active participant each year on the NACD Blue Ribbon Commission (BRC) and a contributor to its annual BRC reports—signature publications that propose new principles and practices to address the most critical boardroom issues. The following article was published in the director's toolkit for adopting recommendations in the 2023 BRC report Culture as the Foundation: Building a High-Performance Board.

“Are we doing a good job?” An informal process aimed at answering this fundamental question is long outdated. Best practices are evolving in real time. Ensuring that committee and full-board evaluation processes also evolve is key in order to arrive at an accurate and useful assessment of the board’s performance, including its culture and dynamics.

Effective evaluations of the board and each of its committees should have five key elements.

1. Comprehensive: Includes all aspects of committee and board structure, leadership, and processes. A comprehensive assessment will address each of the following issues and topics, with additional relevant current issues.

Issues	Topics

Committee and Board Structure	▪ Number of members ▪ Number and focus of committees ▪ Mix of skills and experience ▪ Diversity (gender, racial/ethnic, experience, background, education, etc.) ▪ Diversity of opinion
Committee and Board Processes	▪ Number and length of meetings ▪ Relevance and timeliness of material ▪ Candor of discussions ▪ Ability to achieve consensus ▪ Willingness to question and deliberate ▪ Balance between oversight and operational involvement
Committee and Board Leadership	▪ Facilitation of discussion ▪ Communication ▪ Relevance of agendas ▪ Leadership style ▪ Inclusiveness ▪ Preparedness
Interaction with Management	▪ Exposure ▪ Candor ▪ Rapport/trust ▪ Consistency of expectations ▪ CEO and executive evaluation process
Succession Planning for the Committee and Full Board	▪ Documented process ▪ Chair rotation ▪ Depth of bench for leadership positions ▪ Network of potential directors
Overall Committee and Board Performance	▪ Governance ▪ Perceived strengths ▪ Perceived areas of improvement

Committee and Board Preparation	▪ Meeting preparedness ▪ Knowledge of the business, issues at hand ▪ Board education
[Representative Current Issue(s)]	Examples: ▪ Pandemic impact ▪ New regulation ▪ Market volatility ▪ Labor concerns

2. Interview-driven: Surveys can provide standardization and simplicity, and they do that basic job quickly. However, with reliance on such tools as the only input, it is impossible to capture nuance, cultural considerations, and clarifications. Critical, qualitative issues that need to be addressed are unlikely to surface without person-to-person communication. Surveys can augment the interview process but should be secondary to fulsome conversations.

3. Third-party: A trusted, independent assessor is encouraged. This facilitation can support open and candid dialogue, as well as more accurate evaluations of findings. For example, a disagreement between directors on a current issue may come to light through a survey. A skilled assessor can dig deeper to understand if this is simply individuals who don't see eye-to-eye on a stand-alone topic, or if there is a deeper, more significant rift among the board or committee.

4. Action-oriented: An "on-paper" assessment alone cannot drive meaningful change. Any committee and/or board evaluation must be accompanied by an action plan that outlines opportunities to improve the board/committee culture and/or governance. Again, the identification of such actions is highly unlikely through a survey-based process alone.

5. Candid and transparent: All assessments should be made available to the full board and full committees, preferably by the neutral third party.

Timing

Most boards, and some committees, do ensure that a process, however basic, exists. But for most, there is room to improve, spending more time on the tone and tenor of board culture and performance.

Of course, time is a valid concern. It is possible that boards and committees may not be able to—or want to—participate in a fulsome evaluation process with multiple tools and facilitators on an annual basis. For many, that may be okay. However, there should be an identified marker that will drive a deeper-dive assessment on a specified periodic basis.

This marker can be some defined, significant changes in board membership, financial performance lows and/or highs, or simply a set number of years. In the interim years when written assessments are the primary tool, these surveys should include sections not just on “what we do” but also “how we do it.” A series of open-ended questions that explore issues of board or committee dynamics, leadership, candor, etc. can provide information that leads to open and ongoing discussion and improvement.

Sample Committee-Specific Evaluation Questions

- How are we integrating oversight of our nontraditional responsibilities?
- Do our charters appropriately reflect the areas we oversee and how we self-govern?
- Do our agendas reflect careful prioritization of emerging issues, while maintaining our core responsibilities?
- How successfully are we interacting with management? And do we have access to the right teams/individuals?
- How well are we interacting with/coordinating with the full board?
- How well are we interacting with/coordinating with committees that may have overlapping responsibilities (e.g., compensation/human capital and nominating/governance with respect to board succession; audit and compensation/human capital with respect to incentive-plan measures and financial performance)?

About the Author

Jan brings 30+ years of executive compensation and governance experience, advising boards and management on strategic human capital decisions tied to long-term value creation.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.