



Cass Business School
CITY UNIVERSITY LONDON

5. Board appraisal good practice guide

Building better governance

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Centre for Charity Effectiveness

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1. What is effective Board appraisal?

Effective Board appraisal is about a systematic assessment of how well the Board (rather than the organisation) is performing in relation to its legal responsibilities and in contributing to the success of the organisation. It looks at the performance of the whole Board and the contribution of individual members. In all of this, the ambition should be to ensure that the review process is of benefit to the organisation's beneficiaries.

The Charity Commission in *The Hallmarks of an Effective Charity* suggests that a 'strong Board' is one that can demonstrate that it has in place 'a framework for evaluating Board and trustee performance'. The best performing Boards invest resources in their development (time if not financial), regularly reviewing 'how things are going' and taking action as necessary.



Maintain a line of sight to the mission of your organisation and your agreed strategic aims

2. Key benefits of Board appraisal

- Enables the Board to identify its strengths/weaknesses and its development needs, e.g. a need for training or for Board recruitment
- Holds trustees to account for their performance
- Helps create and maintain a culture of learning and accountability in the organisation by leading by example
- Helps Board members develop a shared understanding of good governance performance
- Helps the Board and thus the organisation to be more effective.

3. Where to start?

Boards can only achieve optimum effectiveness if systems for regular review are in place – that is, reviews of whole Board effectiveness, reviews of individual trustees' effectiveness, and reviews of key aspects of governance practice if the development plans resulting from these processes are implemented.

It helps to view Board appraisal as part of an integrated approach to Board development, which includes ongoing reflection on its infrastructure, trustee education, recruitment and succession planning, as well as continuously learning from those joining or leaving the Board for example.

An organisation's performance management should start at the top, at Board level, and ideally cascade down to everyone (from the Chair to every member of staff). It helps to emphasise the importance the Board attaches to this activity and can encourage a culture of individual and collective learning and development to be embedded throughout the organisation.

Trustees are sometimes reluctant to have their individual performance reviewed by the Chair and for a variety of reasons. The phrase 'we are only volunteers' is often heard in this context. Chairs too can be reluctant and uncomfortable in undertaking such an activity with colleague trustees (who may be known within their personal or social networks) and do not wish to confront or address difficult behaviours as is sometimes necessary. This guide hopes to highlight that this is a task that can be approached positively and that the effort is justified to ensure you are getting the very best out of your Board for the benefit of the organisation and those it serves.

We recommend you develop a plan which takes into account information derived from individual performance reviews, whole Board or specific activity reviews and other development activities.



Make individual and Board performance reviews not merely a stand-alone activity, but part of an integrated approach to the development of your Board; link this activity to your recruitment and succession planning, to your skills/competency matrix, and your collective Board development programme



Include the 'requirement' to attend regular performance reviews in your trustee Code of Conduct and/or role profile so that there is an expectation from the outset that this activity will be part of the role

4. Part one: Board performance review or appraisal

What should it cover?

A productive full Board review should evaluate effectiveness in a number of dimensions, such as the Board's:

- contribution towards the development of strategy
- understanding of the external environment in which it operates
- understanding of its oversight of internal environment
- composition and governance processes and structures, including meeting agendas etc.
- access to information
- levels of candour, energy and other behaviours.

Instead of a full review, you could agree to review one or more aspects of your governance such as your succession planning, your recruitment practices, your committee effectiveness, your meetings practices including agendas etc., your focus and attention, the relationship between the Board and the executive team, Board behaviours, etc.

Choosing a framework

There are a range of different frameworks you could use for your review. For example *Good Governance – a code for the voluntary and community sector* (2nd edition October 2010) was developed specifically for the sector. It sets out six principles of effective governance. For reviews of individual aspects of governance, you could take parts of the Code that are relevant to the aspect you wish to review, or determine your own review framework.



Keep the trustee role profile and your Code of Conduct in mind when undertaking reviews

How and when

Board appraisal can be something you conduct occasionally, annually or as an ongoing activity. Some Boards conduct a full review every three years with lighter-touch reviews of a particular aspect annually. This ensures that governance practice is regularly reviewed.

Sometimes this review activity takes place at a time of change – the Chair or the Chief Executive might be new to the role, resulting in one or both parties seeking to understand more about their Board and how it operates.

It can be a self-assessment exercise or conducted by someone from outside the Board, e.g. a consultant or an advisory group. If you are conducting it internally it is a good idea to have a small group to lead the process.

Use the results of the Board appraisal review and individual performance reviews to craft a development plan and ensure that any agreed actions are implemented.

Getting started

This section assumes you will conduct the process yourselves.

1. **Keep it simple to start with**, so that you can build a shared recognition within the Board of the importance of regular and on-going review and development.
2. **Consider instituting a governance committee** to oversee the introduction of a Board review if one is not already in place. The Chair will need to understand and champion the benefits of the activity, helping trustees to recognise the value of such an activity and longer term benefits to the organisation. Help the Board to see it positively as part of an integrated approach to the development of the Board across several dimensions.
3. **Ensure that action is taken after the review has been undertaken**. This is critical to the success of the activity. Document the findings and what is agreed. Include outputs from other activities such as one-to-one reviews with trustees. Agree such matters as planning and implementing steps to address shortcomings, make improvements and agree who leads on each activity. All are essential to the success of the Board appraisal process.
4. **Ensure there is a timetable** for when any reports relating to the activity will come to the Board and make this part of your calendar of Board activities.



Invest in the Board's development. Ensure there is a budget for this work and annually review the expenditure

A simple way to start Board performance reviews is to make sure time is set aside, at the end of each Board meeting, for the Chair to lead a short discussion on questions such as:

- What was most valuable item, and why?
- What was least valuable and why?
- What was the most important thing you learned?
- What were you hoping to learn but did not?
- How did we perform as a team?
- What will we do (differently) next time?

5. Part two: Individual performance reviews

Research by Mike Hudson and Cass Business School on governance in larger charities identified ‘reviewing individual performance’ as one of the top 20 drivers of good governance performance.

Individual performance reviews should be seen positively – and introduced positively by the Chair – enabling the Board to improve, rather than as a negative or judgemental activity. Such reviews will have both formal and informal elements and offer a framework for a constructive conversation between peers. The right kind of review is constructive, reinforces a culture of accountability, helps trustees to reflect on the contribution they have made to the Board, their impact on governance practice and allows an exploration of their hopes for the future.

Individual reviews should encourage trustees to have an open discussion about areas where they feel less confident, often about finance or a specialist area. A lack of confidence can result in the trustee letting others lead or challenge the executive team on these areas, sometimes leaving the ‘common sense’ questions requiring no in-depth specialist knowledge un-asked.

Benefits of individual trustee performance reviews include helping the Chair:

- to get to know trustees beyond the confines of the Board meeting. Some Chairs have found that in starting to undertake this activity, they also learn more about the organisation and/or the individual trustee than they knew before
- to identify skills, knowledge and experience on the Board of which they were previously unaware
- to seek feedback on their own performance.

In addition, it can help with the Board's succession planning, enabling a discussion about how the trustee envisages their future on the Board: i.e. whether they are interested in becoming a committee chair or being considered to take the Chair, Vice Chair or Treasurer role; how long they see themselves on the Board, including whether they might leave before the end of their agreed term or not.



Use the appraisal/performance review exercise to support your succession-planning processes

Getting started

1. **Keep it simple**, but build in good practice from the beginning. Having some formality to the process ensures that there is consistency of approach.

2. **Discuss the principles at Board level to get engagement**

It is helpful if the Chair initiates a discussion about the benefits of individual performance reviews. The Governance or Nominations Committee, where one operates, might initially consider this and make recommendations to the Board for further discussion. The Board could consider establishing such a committee to oversee this important activity. Ensure that there is discussion about the process at Board level. This helps the whole Board to appreciate and accept the value of such reviews for the overall governance health of the organisation and its beneficiaries.

3. **Agree who will undertake the reviews**

The assumption is that it is the Chair who will undertake the reviews but it is perfectly acceptable for the Chair to delegate the task to the Vice Chair or to another trustee, perhaps the Chair of the Nominations or Governance Committee (where one operates). In this circumstance, attention needs to be given to liaison with the Chair, particularly with regard to the gathering of feedback. Most reviews are undertaken one to one rather than the Chair with another trustee undertaking the review.

4. **Agree timing**

Set an annually recurring time for the review; choose a point in your annual cycle which allows your Board to evidence good governance in the Trustees' Report section of your annual accounts. Add the agreed timeframe to your Board calendar of events.

Determine and agree the time scale for completion of all the reviews (advance notice will help ensure everyone can deliver) so that the period during which reviews are being undertaken is not too long. Agree the length of each review interview; 60 minutes is common practice.

5. **Agree what is to happen to the ‘findings’ of the review meetings.** It is most effective if the Chair collates key aspects of the results of the reviews (without identifying individual trustees), which are then fed into an overall development plan. This facilitates an integrated approach to discussion and planning the Board’s development.

6. **Agree a clear framework for the review process**

Agreeing some questions to help trustees (and the Chair) prepare for and structure the review meeting is helpful, plus a note summarising details of the Board member’s trusteeship (e.g. how long on the Board, which committees they are on, when their term of office is completed, attendance levels, etc.).

7. **Seeking feedback**

Getting started with feedback can be a simple process of asking committee Chairs for their feedback on members of their group, including attendance, participation and contribution towards the work of the committee, or asking other committee Chairs or the Vice Chair or Treasurer for their feedback (where this relates to the committee chair). The Chair should aim to gather as wide a range of views as possible, to add potentially new information to their own perspective. The Chair should be open about how feedback is to be gathered when discussing the activity with the whole Board.

8. **Keeping a record**

It is helpful to keep a note of what has been said or requested in the trustee review. It helps both reviewer and trustee check progress (and whether agreements have been kept) on both sides. This record should be used in the subsequent year in assessing progress made.

9. **After completion of the review meetings**

The detailed content of each meeting can remain confidential, but the themes emerging are the legitimate concern of the entire Board as well as the Chief Executive. To make the most of the investment you have made (in the trustee reviews), the Chair or lead reviewer should present a short written summary of the key themes from the reviews and any resulting recommendations. The Chair should stimulate discussion about the process and the outcomes, including any changes and improvements needed. Trustees can discuss what might be learnt from this and what development activities they suggest for the whole Board.

10. **Keep the activity alive and relevant**

Periodically review the process by asking the Board for their feedback, then adjusting the framework appropriately.



Ensure that individual reviews take place at the same time each year and fit with the organisation’s (strategic) planning and performance management cycle



Aim to hold individual reviews over a relatively short period to optimise the opportunity to learn from the activity collectively



Resist making major changes to your performance review process every year as it will make it harder to track progress made; but do reflect on the process through Board discussion

Trustees who are new to the role and the Board

The Chair needs to spend time ensuring that the new trustee – who is also new to the role – receives more attention during their early period on the Board. This should be reflected in the individual performance review process. An informal review meeting with the new trustee after 2 or 3 Board meetings (depending on the frequency of Board meetings) will be useful to check on how both parties are finding the experience. It is also an opportunity to seek feedback from the new trustee since they will be seeing the Board and its governance practice with a fresh eye.

Pairing the new trustee with a more experienced Board member as part of the induction programme is a useful way to help the new trustee integrate and gain confidence.

Reviewing the Chair

A similar process as outlined for trustees can be used for the Chair. It is often the Vice Chair, Treasurer (and sometimes a ‘lay’ person from outside the Board and organisation) who review the Chair’s performance. In such cases, the group reviewing the Chair collate the feedback, complete the assessment form and use this as the basis of their feedback to the Chair.

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Cass Business School

In 2002, City University's Business School was renamed Sir John Cass Business School following a generous donation towards the development of its new building in Bunhill Row. The School's name is usually abbreviated to Cass Business School.

Sir John Cass's Foundation

Sir John Cass's Foundation has supported education in London since the 18th century and takes its name from its founder, Sir John Cass, who established a school in Aldgate in 1710. Born in the City of London in 1661, Sir John served as an MP for the City and was knighted in 1713.

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