

Department of Health

health

# Board assessment

A guide for Victorian  
health service boards



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# Board assessment

## Why assess?

The board sets the tone for the organisation. A key way to demonstrate this top-level leadership is to undertake a board assessment. Boards strive to improve organisational effectiveness through monitoring performance against objectives, plans, budgets and a range of other indicators. This monitoring usually leads to an improvement in performance and governance. It is well recognised that the assessment of a board's own performance is also a critical aspect of improving performance and governance.

The Australian Stock Exchange (ASX) requires listed companies to disclose the approach used to assess board performance each year. The *ASX corporate governance guidelines*<sup>1</sup> outline a number of recommendations and principles focused on implementing a robust corporate governance approach. The ASX Corporate Governance Council has placed strong emphasis on the adoption of these guidelines by listed entities. Given the applicability of the principles, a growing number of unlisted companies, government enterprises and not-for-profit organisations have found these guidelines and a board assessment process useful in improving performance and governance.

An assessment of board performance provides an invaluable way for the board to explore a range of issues and send a consistent message to management about overall organisational performance. It is therefore important that the board is aligned with other performance assessment processes within an entity. Accordingly, it is prudent for health service boards to consider undertaking regular board assessments, if they have not done so already.

## What is board assessment?

Board assessment is an evaluation process for boards, the chair, individual directors and subcommittees. A well-designed and implemented board assessment can be productive and insightful and can deliver a number of benefits such as:

- a balanced view of the 'health' of the board and its committees – identification of positive and negative aspects of a board's approach is critically important to good governance. Areas for improvement can be recognised and plans put in place to close performance gaps and minimise governance-related risks
- a 'safe' way to identify and discuss board issues – an effective assessment process provides the board chair and members with an opportunity to understand where they are/the 'lay of the land' before they tackle key issues. Having an appreciation of 'the mood' in the boardroom makes it easier to navigate through difficult issues. Board assessment can enable the board to more objectively surface and discuss issues
- increased ownership and accountability – by including input from all board members and the chair, commitment is built and shared responsibility taken for progressing and resolving key issues that emerge from an assessment
- design of relevant benchmarks – the assessment can lead to the identification of key benchmarks, indicators or objectives so that the board can track progress and performance over time
- a clearer path to skills development and balance – to close performance gaps, board members may require development in skills or the board may require addition of new skills to its composite skill base. An assessment could assist in highlighting areas for skills development or addition

<sup>1</sup> [http://www.asx.com.au/about/pdf/cg\\_principles\\_recommendations\\_with\\_2010\\_amendments.pdf](http://www.asx.com.au/about/pdf/cg_principles_recommendations_with_2010_amendments.pdf)

- more effective leadership – how a board works together with the chief executive officer (CEO) and senior management and how it uses its time most effectively can all be explored and developed for long term benefit.

There are two key risks if a board assessment is badly designed and managed:

- damage to working relationships – sensitive issues can be unearthed. Without a well-considered approach such issues may be badly managed, resulting in disagreements and unsettling board interactions
- loss of credibility – if sensitive issues are raised and not addressed, members may see the process as just a ‘tick-box exercise’. This can adversely impact the credibility of those managing the assessment process and waste resources and time.

## Board assessment approaches

There are a number of different approaches to undertaking a board assessment. The main approaches are summarised in Table 1 below.

**Table 1: Main approaches to board assessment**

Approach	Type	Methodology	Outcome	Benefits
Survey (written)	Quantitative	Rating of board performance across a number of categories using a numbered scale	<ul style="list-style-type: none"> <li>• Data is evaluated and compiled in a report</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to compare and track performance over time</li> <li>• Can be completed anonymously</li> <li>• Can be completed at member's convenience</li> <li>• Ideally used in combination with other approaches to receive a holistic view</li> </ul>
Interview (one-on-one)	Qualitative	Structured questions can be provided in advance	<ul style="list-style-type: none"> <li>• Notes from interview can be compiled and analysed under key themes then summarised in a report.</li> <li>• Results presented with facilitated discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Useful to gather in-depth insight about board performance</li> <li>• Structured format provides uniformity</li> <li>• Members are able to raise issues that go beyond the questions</li> </ul>
Group assessment or forum	Qualitative	Facilitated group discussion involving direct and probing questions	<ul style="list-style-type: none"> <li>• Summary of the session can be used in future sessions to discuss results and future actions</li> </ul>	<ul style="list-style-type: none"> <li>• Works well in situations where there is a high degree of trust and openness among board members</li> <li>• Can generate consensus and support for actions to address key issues</li> <li>• Secondary benefit of team-building exercise</li> </ul>



Supplementary assessment approaches may involve:

- individual assessment of the chairman
- individual assessment of each director
- peer review
- 360° survey or feedback from key stakeholders.

A more robust assessment process will usually include a combination of the following attributes:

- use of external expert facilitators
- survey questions specifically attuned to the needs of a specific board and the issues it is facing
- benchmarking of results against peer organisations and/or best practice
- confidential non-attributable interviews
- workshop or discussion forum to explore findings and recommendations.

On the flipside, the most limited assessment approach involves the chair having informal discussions with individual directors in relation to the board's performance and reporting findings back to the board.

The most appropriate approach to undertake a board assessment, then, is dependent on a number of factors. For instance, the size of the board, structure of the board, the history of board assessment (if any), dynamics between board members, prior experience and individual views of the chair and board members are all factors that are considered when undertaking an assessment.

Overall, board assessments should have these core qualities:

- simple to understand and follow
- the assessment should typically cover three to seven categories of focus
- premised on good governance principles
- feedback incorporated from major stakeholders, not just board members
- allows valid comparisons to be made (that is, against agreed benchmarks, prior year assessments and industry samples)
- facilitates the gathering of feedback in a confidential manner (surveys, interviews, forums)
- delivered in a report for future reference
- report contains recommendations or suggestions for continually improving board performance
- leads to the development of measurable action plans, including timing and assignment of responsibilities.

Whether the board makes arrangements to manage the assessment itself or engages a facilitator, there are some key questions to address as the assessment is designed:

- What is the role of the chair in board assessment? This is a complex area. On the one hand, the board chair should lead the process, and on the other, key findings of the process are likely to reflect on the chair's effectiveness in their role. The extent to which the board assessment covers the effectiveness of the board chair, and how, are key matters for the design of the process. The board chair needs to be clear about this issue from the outset, and how they will respond to any findings. At the same time, the chair needs to steer the assessment process effectively.
- How will the board buy in to the process? This will require agreement on goals and assessment criteria. It will involve some potentially tough decisions about confidentiality, data collection and who will see the results. As with most board processes, the key to engagement is to involve board members in shaping the process from the outset.
- What is the scope? For example, will it be limited to the board or cover the work of subcommittees? Will it examine structural issues, membership and/or board processes? The challenge is often to develop a list of topics that creates useful discussion that is neither too sparse nor so busy that there is not enough time for proper debate.
- What is the overall governance process? What part does this current review play in the broader governance plans of the organisation? If a substantive external review has already been done, perhaps an internal review or review of committees is the next step in the cycle.
- How will data be collected? The board needs to decide if the assessment will involve qualitative data, quantitative data or both. Will it involve a survey, individual interviews or group assessments? More information on qualitative and quantitative approaches is provided below.
- How will the assessment be conducted? While self-assessment is less expensive and draws upon board member's experience and knowledge, the use of an external company may offer benefits of expertise in assessment methodologies and could be seen as more objective with board members more candid with 'outsiders'. Some boards alternate internally run and external assessments year on year.
- How will feedback be given and by whom? Even if a third party facilitates the board's session to discuss the feedback, the leader of the session should be the chair, who needs to be aware of the factors, dynamics and potential reactions that are likely to come into play during the session.
- What assessment products will be used? These should include an action plan, with a focus on learning and development for board members and the board as a whole. Each board member should be able to understand their individual development needs from the assessment and how they will be met, as well as what the board will do together to improve functioning.

For the assessment process to be successful, board members need to see the process as one that addresses outstanding issues limiting performance or the workings of the board. Planning for outcomes beforehand is critical. How will sensitive or challenging issues that might surface be acknowledged and dealt with? How will progress against agreed action items be assigned and tracked?

There are many other issues to consider in board assessment and boards would typically build their approach over several assessment cycles.

## Additional considerations

As well as these approaches, there are a number of other issues that need to be considered, including:

### **Motivation to work on the assessment results**

Board members need to feel that addressing the issues raised as a result of the board assessment will be worthwhile. If the view is that the assessment was nothing more than 'going through the motions' with no real desire to highlight what issues there may be, there will be little motivation to understand the feedback and do something about it.

### **Clarity of understanding and using assessment results**

It's important to fully understand the issues raised and to discuss the underlying subtleties before progress can be made. For example, if the issue is clinical governance, what aspect are board members concerned about? Are they concerned about the model adopted? Implementation? Clinical engagement? If the underlying issue is unclear or generalised, it will be difficult to target the resolution strategy to the appropriate area.

### **Management evaluation of board effectiveness**

While it's usual for board assessment feedback to come from board members, boards are also interested in how the organisation's senior managers think they are performing. Questions could include how the board adds value to them as senior managers, what the most valuable contributions are by the board to their work and how can they best work together?

### **Assessment of the board chair**

The usual approach undertaken of board assessments today includes assessment of the board chair as part of this process. An important consideration is who will lead the process, gather information and provide feedback to the chair. Assessment of the chair is best carried out by an external facilitator.

### **Assessment of board committees**

Even for those boards that undertake an assessment on a regular basis, the inclusion of an assessment of its committees may not be that common. When board assessments do include committees they generally include a few questions about each committee's performance. However, boards may want to consider if a more comprehensive assessment of its committees would be worthwhile, how often and if it is incorporated into the board assessment process or independent of it. A key consideration when designing a committee assessment is whether to incorporate feedback from committee members and non-committee members into the process.

### **Review of board minutes**

This can highlight how the board spends its time and can be used to understand what the board prioritises, for example, strategic, operational and financial or service performance issues. A similar exercise can be a useful part of committee assessments.

### **Communication**

Taking into account all of the above, the chair in particular will need to consider how best to communicate the outcomes back to the board as a whole, to individual directors and, if certain outcomes require it, back to management.

## Planning

To get the most from board assessment it must be thoughtfully and thoroughly designed and implemented with particular attention given to the objectives, topics to be explored, data collection and feedback. This will require investment of time and effort – not only to create the process itself but also to appropriately address the issues that surface from the process and the feedback and should form part of the board's annual planning cycle (see Appendix 1).

## Surveys or questionnaires

As mentioned there are many different approaches to undertaking a board assessment. The most common approach is to incorporate a survey. In Appendix 2 we have included an example survey covering typical categories and questions that may be included or considered when undertaking a board assessment survey. Appendix 3 contains typical questions or areas assessed when reviewing the performance of individual directors. These examples have been included as reference tools or guides when contemplating a board assessment.

## Summary

Although on the surface a board assessment may be seen as a process that health service boards should undertake as part of good governance principles, it should be considered more widely as a component of board and organisational effectiveness. A well-constructed board assessment will give directors a better understanding of the workings of the board, areas for personal and group development and the interactions the board has internally and externally. As each board is made up of different individuals and one approach may not suit all, it is a matter for the board to decide, plan and implement an assessment that suits their specific needs, issues and priorities.

## Appendix 1: Example board annual planning cycle

Month	Planning cycle activity
July/August	<ul style="list-style-type: none"> <li>• New board member orientation/induction</li> <li>• Review of strategic goals and financials from previous year</li> <li>• Development of strategic plan for upcoming year</li> <li>• Review of board evaluation</li> <li>• Review of committee structure/appointments</li> <li>• Quarterly reporting</li> </ul>
September/October	<ul style="list-style-type: none"> <li>• Approval of board goals</li> <li>• Approval of committee structure/appointments</li> <li>• Succession planning</li> <li>• Statement of Priorities signed off</li> <li>• Annual report tabled in parliament</li> <li>• Quarterly reporting</li> </ul>
November/December	<ul style="list-style-type: none"> <li>• Annual review of master plan (via Capital and Service Planning Steering Committee)</li> </ul>
January/February	<ul style="list-style-type: none"> <li>• Mid-year review</li> <li>• Quarterly reporting</li> </ul>
March/April	<ul style="list-style-type: none"> <li>• Budget preparation</li> <li>• Quarterly reporting</li> </ul>
May/June	<ul style="list-style-type: none"> <li>• Annual board evaluation</li> <li>• Annual president/board chair's evaluation</li> </ul>

## Appendix 2: Example board assessment survey

How satisfied are you that:	Not satisfied	Moderately satisfied	Satisfied	Very satisfied
<b>Role and responsibilities of the board</b>				
The governance structure, role and responsibilities of the organisation are clearly defined and well understood by board members.				
The expectations of board members are clearly defined in position description documents and well understood by individuals.				
The board fully understands the external environment in which it is operating.				
The organisation has developed a strategic plan and is planning adequately for the future.				
The board focuses its attention on long-term significant policy issues rather than short-term administrative matters.				
Directors avoid intruding on management matters.				
The significant business risks have been identified and are being appropriately addressed.				
The board discuss thoroughly the annual budget of the organisation and its implications before approving it.				
Directors have sufficient knowledge of the business to ask probing questions and provide useful advice to management.				
The board appraises the CEO and remunerates him/her appropriately.				
<b>Membership and group dynamics</b>				
The board's size and structure is adequate.				
The committees provide appropriate oversight of their areas of responsibility.				
The board currently contains a sufficient range of expertise to make it an effective governing body.				
The board has adopted policies which enhance its effectiveness (for example, conflict of interest policies, risk management policies etc).				
The leadership of the board is appropriate.				
The relationship and interaction between non-executive directors and senior management is appropriate.				

How satisfied are you that:	Not satisfied	Moderately satisfied	Satisfied	Very satisfied
Directors express their views to each other and to management in ways that are constructive.				
Board discussions reach conclusions that give clear guidance to management.				
Taken as a whole, the board works effectively.				
<b>Procedure and practice</b>				
The board holds effective meetings.				
The board's use of time is effective and focused on important issues.				
The board prioritises the time spent on both corporate and clinical governance issues.				
The board receives sufficient, appropriate and timely written information for it to perform its role.				
Directors have sufficient time to interact with each other and share views about the company.				
The board applies appropriate oversight to governance matters.				
The board confronts real issues.				
Dissension at the board is tolerated and handled appropriately.				
<b>Comments</b>				

## Appendix 3: Example director self-assessment

This director self-assessment has been developed to help individual board members assess the ‘added value’ that they bring to the health service, determine whether they have met the expectations set by the board when they were appointed and whether they continue to be committed to serving on the board.

How satisfied are you that:	Satisfactory at present	Satisfactory however, improvement possible	Requires attention	Requires immediate attention
<b>Goals</b>				
I fulfill the legal requirements and obligations of a director.				
I participate in the review and approval of the corporation's policies and strategy and in monitoring their implementation.				
<b>Preparation and participation</b>				
I come to the board meetings fully prepared.				
I come to committee meetings fully prepared.				
I maintain an excellent board and committee meeting attendance record.				
I understand the vision and values.				
As chair of a committee I call meetings and set agendas.				
I contribute to board agendas.				
I lead discussions in my field.				
<b>Behaviour</b>				
I enhance group discussion by pushing the discussion forward, integrating various viewpoints, helping discussions reach closure, encouraging openness, pushing the group to confront reality, bringing new thinking, challenging other directors when they sidetrack discussion or dwell on minutiae and help draw out contributions from others.				
I respect confidentiality.				
I have a clear understanding of what I should or should not be communicating outside the board.				



How satisfied are you that:	Satisfactory at present	Satisfactory however, improvement possible	Requires attention	Requires immediate attention
<b>Added value</b>				
I understand and focus on issues that are key to the health service, and help colleagues understand and focus on issues that are key to the health service.				
I cut through complex issues and help colleagues cut through complex issues.				
My questions or comments are incisive, appropriately timed, and add value.				
I keep discussions on track by avoiding talking too much, reminiscing, or engaging in philosophical arguments.				
I take into account the viewpoints of all stakeholders.				
I contribute to the chair's perspective and wisdom by sharing my knowledge and experience.				
I open doors to my network to help the chair and the health service.				
<b>Committee work</b>				
I participate on committees and become knowledgeable with the purpose and goals of the committee.				
<b>Relevant sector / board knowledge / please comment</b>				





