

Boards

Board Evaluation
A Shareholder Guide

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Amrop

Leaders For What's Next

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?

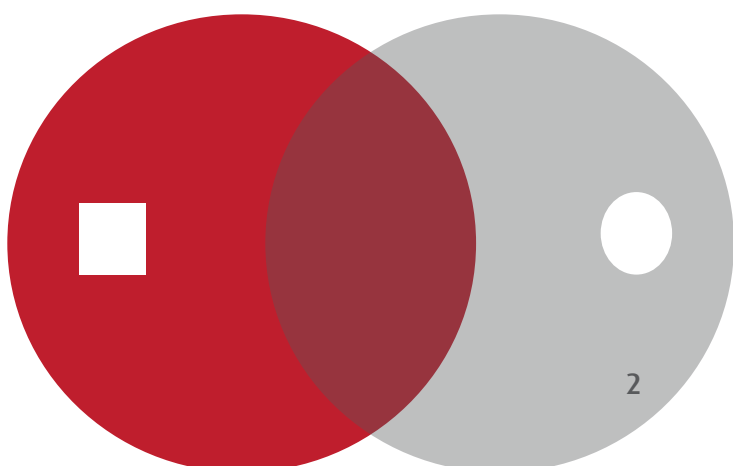
Financial results aside, this article focusses on the evaluation criteria we can find within two dimensions – material and human. Viewed systemically, these dimensions are closely interconnected. And they mutually affect each other.

However, there's a strong temptation for the people 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.

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For more on Personal Governance, see our Insights section on www.amrop.com.



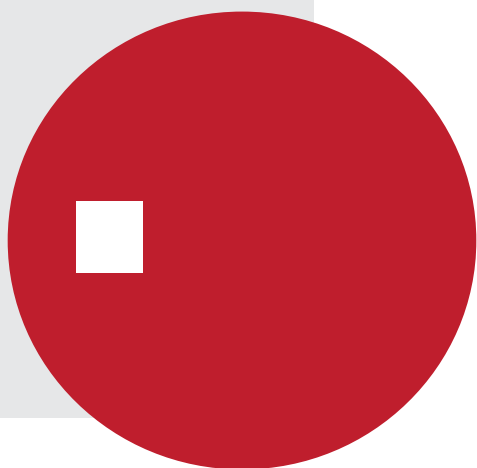
To what extent is communication open, rather than secretive or glossed-over?

The Material Dimension

This doesn't just mean the formal 'manual' of obligations for Supervisory and Executive Boards. For the purposes of this article, let's assume that formal legalities and contractual agreements related to control and management issues are respected.

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

- Are opportunities and potential avenues for development recognised and successfully leveraged?
- Are destabilising forces and risks detected and acknowledged on time?
- To what extent is communication open, rather than secretive or glossed-over?
- Are organisational imperatives correctly recognised and put in context?
- 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

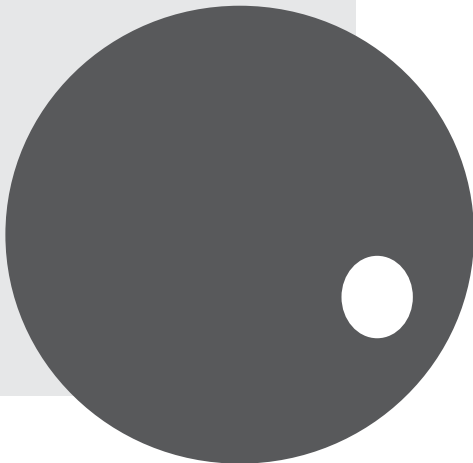
When it comes to evaluating the human dimension of Supervisory and Executive Boards, the following criteria, amongst others, should take centre stage:

- 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 governance¹ 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.

¹See Amrop's Personal Governance Series by the same author



If personal governance is robust and sustained, then there's a good chance that the evaluation of Supervisory and Executive Boards will yield equally positive results.

Priority-Setting - a Decisive Factor

Multiple observers and stakeholders are busy analysing financial results and plans. It's essential to stream their conclusions into the indicators covered by the material dimension, providing an objective basis for priority-setting. In this way, Boards and their evaluators can decide upon the most urgent and important areas of attention, and address them.

In Conclusion

Robust organisational leadership and corporate governance are only possible when they go hand-in-hand 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
- ✓ Destabilising 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: prioritisation of organisational goals and causes
- ✓ Auto-analysis: self-reflection, self-evaluation, self-regulation
- ✓ Reputation management: individual, collective

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About Amrop

With over 70 offices around the world, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop works to assure the design and implementation of diverse, forward looking and connected boards. We act as Trusted Advisor to Executive, Supervisory and Advisory Boards all over the world, across a spectrum of industries.

Amrop's global Board Services Practice works along three interconnected lines:

- Appointments (Chairs, Independent Directors, Advisory Boards, Committees)
- Board Evaluation
- Board Advisory/Board Effectiveness

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