

BOARD EFFECTIVENESS REVIEW

An effective board is key to the success of an organisation, and cultivating the performance and dynamics of a Board to deliver clear strategic leadership and insightful and constructive challenge are at the heart of effectiveness.

Periodic assessments of a board's effectiveness is a requirement of the Jersey Financial Services Commission's (JFSC) Code of Practice. In addition, there are clear benefits for boards of financial services firms and regulated client entities to undertake evaluations as part of good governance and continuous improvement processes.

Consequently, Board Effectiveness Reviews can be a powerful tool in enhancing board functioning and effectiveness; setting the board, and ultimately the organisation, up for success.

WHAT IS A BOARD EFFECTIVENESS REVIEW?

A Board Effectiveness Review is an assessment of whether the board is appropriately constituted, whether it has the right dynamics, and is performing its role and duties in setting strategic direction and challenging organisational performance.

What is needed from a board and its directors may also change over time depending on the context of an organisation. As such, conducting periodic Board Effectiveness Reviews serves to ensure that firms' board arrangements keep pace with, and remain appropriate for, the firms they oversee.

Ultimately, directors have legal responsibilities to make sure that the organisations they oversee do what they were set up to do. As such, directors must have the appropriate skills and experience, be effective, and be focused on the right things. Organisational success can depend on it, particularly during times of stress and challenge, and when things go wrong, boards need to be able to demonstrate that they took reasonable steps in overseeing the organisation responsibly. This includes regularly challenging themselves, their approach and thinking.

WHY SHOULD YOU CONDUCT A BOARD EFFECTIVENESS REVIEW?

- To enhance strategic business success;
- To enhance stakeholder confidence;
- To promote continuous improvement;
- Following a merger or acquisition;
- For board renewal and succession planning;
- To promote board education and development; and
- Regulatory pressures or scrutiny.



“Excellent market knowledge and commercial advice.”

“Great team – technically very good, responsive and approachable.”

Legal 500



“The USP for this team is their practical and tailored commercial advice, they don't hide behind legal jargon or caveats.”

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BENEFITS OF A BOARD EFFECTIVENESS REVIEW

A Board Effectiveness Reviews can provide invaluable insights. They can:

- Help the Board be clear on purpose;
- Identify skills and experience gaps, including both technical and softer skills;
- Evaluate the level of diversity on the Board;
- Evaluate if the right level of issues, challenge and discussion is taking place at the Board;
- Evaluate whether the board is suitably independent;
- Help the organisation in establishing effective succession planning arrangements;
- Provide guidance around suitable board training and development;
- Evaluate the governance and Board processes depending on the context of an organisation;
- Promote efficiencies and effectiveness via insights around board management information, minutes, and board processes to ensure the most effective use of valuable board member time.

Board Effectiveness Reviews can also provide key insights around board functioning and dynamics, board culture, relationships and can also shed light and provide a path forward with regards to known issues.

HOW CAN THE APPLEBY REGULATORY COMPLIANCE (ARC) TEAM ASSIST?

Board Effectiveness Reviews need to be well designed and delivered to ensure that they provide the upmost value to the board. Common pitfalls of less successful board effectiveness reviews we have noted include:

- Poorly designed scopes;
- Inadequate planning and stakeholder engagement (e.g., not fully engaging the board and board members);
- Lack of tailoring (e.g., "tick box" or fully questionnaire-based exercises);
- Reliance on subjectivity;
- Lack of specialist expertise; and
- Reluctance to deliver challenging messages.

ARC is able to draw on our experience of working with a diverse selection of firms and can recognize the needs of varying-sized firms in order to make assessments and recommendations that are proportionate to the size and complexity of the business.

We offer two levels of Board Effectiveness Review:

Standard:

We offer a Standard Board Effectiveness Review, which includes:

- Documentation Review;
- Observation of the board and (1-2) board committee meetings;
- A board members Skills & Capabilities Assessment;
- Confidential interviews with (2-3) board members;
- Verbal feedback and a clear and concise report; setting out our observations and tailored recommendations.

We recommend that firms conduct a Light or Standard Board Effectiveness Evaluation annually or bi-annually.

Comprehensive:

We offer a Comprehensive Board Effectiveness Review, which includes:

- Documentation Review;
- Observation of a board and (all) Board Committee meetings;
- An anonymous board member survey;
- A board member skills and capabilities assessment;
- Confidential interviews with (all) board members;
- Diversity and Inclusion & Cultural Analysis;
- Dedicated time with the board to discuss feedback and recommendations; and
- A clear and concise report; setting out our observations and tailored recommendations.

We recommend that firms conduct a 'Comprehensive' Board Effectiveness Evaluation every 3 years.

KEY CONTACTS



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