



**GREAT COMPANIES  
DESERVE GREAT BOARDS**

**Building World Class Boards**



## Great Companies deserve great boards and the board of directors should be an important asset to the shareholders it reports to, the chief executive it oversees and the company it governs.

As the modern day complexities of corporate governance grow, along with the personal liabilities of Board members, one of the most important things that a Board can do to strengthen its own performance is to take the time to reflect on what it's doing well and where it is more challenged; research has clearly demonstrated that Boards that take the time to regularly assess their performance are more effective than those that don't. So the first question a Board of Directors needs to ask itself is: *"Should we implement only the minimum required for compliance or is it worth investing in a more ambitious approach that has the potential to improve our overall governance?"*

Many chairmen around the world acknowledge that a well-managed Board Assessment process leads to substantial improvements in Board effectiveness, bringing significant benefits to the organization. Further, many now also recognize the value in appointing a neutral and independent third party Partner with the experience, discretion and sensitivity to conduct a rigorous and extensive review of the functioning of the Board. That Partner also needs to be sensitive to the concerns that some Boards will have when embarking upon an assessment for the first time, and tailor its approach accordingly.

Now let's deal with the typical Board's principal concern upfront: A Board Assessment is not about reviewing a Board and disclosing its weaknesses publicly. It's about confidentially and discreetly assessing a Board and delivering pragmatic recommendations to evolve both new and challenged

Boards into good Boards, and good Boards into great Boards. It's about positively and proactively identifying a path for evolution, and defining the small practical, implementable steps along that path.

The additional good news is that investors will pay for good governance. In other words, "investors put their money where their mouths are". In both Organization for Economic Co-operation and Development (OECD) and emerging market countries, well-governed companies attract premium valuations. A study of S&P 500 firms showed that companies with strong or improving corporate governance outperformed those with poor or deteriorating governance practices by about 19% over a two-year period. A McKinsey survey of institutional investors showed that investors would pay premiums of up to 30% to own well-governed companies in Eastern Europe and Africa.

According to other survey research, the percentage of listed companies conducting an annual Board Assessment is growing rapidly. Canada and France lead the pack with 100% of their publicly traded companies conducting annual Board Assessments. Other countries that rank particularly high included the U.S. (99%), the United Kingdom (98%), Italy (84%) and Spain (60%).

While publicly held organizations in mature economies, such as those listed under the NYSE, are typically required to undergo official Annual Board Assessment, we are now also witnessing a heightened demand for Board Assessments in both privately held and family businesses as well.

In Europe, the European financial sector is experiencing a fundamental change with the implementation of the Principles of Corporate Governance, introduced by the OECD. These financial regulations impose a tighter regulatory framework on financial institutions, impacting both Boards and top executives.

As a result of these stricter guidelines, shareholders of publicly held companies are demanding more objective assessments and a deeper scrutiny of their Boards. This same trend of accountability and the need for assessment is being seen across Europe in both the public and private financial sector, with the Middle East and Asia firmly following suit.

## THE QUESTION HAS CHANGED

The question then is no longer whether companies should hold their Boards accountable for their performance, it is rather how diligent are Boards in assessing themselves. Should they do the bare necessities to comply with regulatory requirements or do Boards, and board members,

owe it to the shareholders and themselves, individually and collectively, to take on a more aspiring approach? Such an approach has the potential to improve overall Board performance as well as the organization's performance.

A whole new set of questions is now living and breathing inside Board rooms on this topic. Here are the top 15 key questions that Stanton Chase is asked on any given Board Assessment assignment:

1. *When and how does a Board realize that an assessment brings substantial value?*
2. *What are the areas to be assessed and how will the data be collected?*
3. *How do you ensure the confidentiality and discretion of collected data?*
4. *How will the feedback from the assessment be handled?*
5. *Who should be conducting the assessment?*
6. *What is the preferred best practice solution being used by high performing Boards?*
7. *What methodologies are being used and which ones are recommended for us?*
8. *Should an assessment be conducted as a group or on an individual basis?*
9. *Is a quantitative approach flexible enough?*
10. *Is a qualitative approach objective enough?*
11. *Should we conduct a bottom-up assessment of the Board?*
12. *Should the Chairman be assessed separately?*
13. *To what extent should Board Committees be involved and how should they be assessed?*
14. *What insights can be drawn from reviewing and analyzing Board meeting minutes?*
15. *How does the Board improve following an assessment and how do they hold themselves accountable for that evolution?*



## A ROBUST SOLUTION THAT ACCELERATES BOARD EVOLUTION

Having executed Board Effectiveness Assessments across global borders, as well as Board member assessments, it is clear to us that appetites for assessment solutions vary. Different Boards will have different preferences. Board assessment preferences are driven by a variety of different factors including; cultural, behavioural, financial, operational, political, structural, technological, and even personal.

*Because of these differences, we tailor each assessment to each Board. With this in mind, we have also made a distinct observation: high performance organizations, regardless of whether they are publicly listed or privately held, always select the best practice approach. When asked why, the clear, resounding answer was summarized as “how else can we take our Board performance to the next level?”*

The total solution is a combination of Quantitative Surveys, Qualitative Interviews, Qualitative Group Self-Assessments, Committee Assessment, and Management Feedback. These are executed at three levels: the Board, the committees and the individual Board members.



## CONCLUSION

Board Assessments are essential components of successful organizational performance and growth.

There has been a global trend starting in North America, spreading across the east, across Europe and slowly into Asia, indicating a clear need for robust, reliable, objective, and expert assessments.



## HOW STANTON CHASE HELPS

Stanton Chase is a major player in the field, bringing robust, insightful and flexible assessment methodologies and recommendations for improved boardroom performance. With customizable choices, including one-time assessments, insight reports, recommendations for annual reviews, and follow-through, Stanton Chase is poised to assist publicly listed, privately held, or non-profit organizations in their transitional times.

Assessment services have been offered by Stanton Chase Offices and Partners for over two decades by working with clients to customize these assessment solutions and ensure that Board members are effectively leading their organizations through the complexities of compliance and governance. Stanton Chase Partners and Consultants take pride in their skills and experience to assist in such key solutions.

### GLOBAL HEAD OF ASSESSMENT



Wassim Karkabi, the Global Head of Executive Assessment for Stanton Chase, has successfully advised a variety of international and regional organizations on their strategic and leadership concerns. He explains:

*“This is our business. We have been delivering robust assessment solutions for many years, and we will continue to be a leader in this domain. We are pleased to serve the organizations during these changing economic times.”*

### PARTNER, CEO & BOARD SERVICES



Jan Bladen, the Middle East Partner for CEO & Board Services, has been working with and advising clients both across the Middle East and globally for over 20 years.

*“Good Board and corporate governance remains one of the key triggers to unlocking substantial shareholder wealth whilst creating long-term sustainable organizations.”*

# Your Leadership Partner



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