



**VEACO GROUP**  
*Corporate Governance Advisors*

**STEPS TO CONSIDER IN CONDUCTING A BOARD EVALUATION, A BOARD  
AUDIT OR OTHER GOVERNANCE STUDY**

- The decision to conduct a board evaluation, board audit or any sort of board level governance study is usually based on a request of the board, or the board’s Nominating and Governance Committee
- Occasionally the Board Chair, or the CEO or the corporate secretary will provide the impetus, but even in such circumstances the board, or one of its committees, is typically responsible for directing and managing the process
- Sometimes the decision to proceed is based on concerns of particular individuals on the board with respect to how the board is functioning, but often governance studies are suggested as a means of assuring the board that its structure and operations are effective and in line with current governance practices and trends

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**The following issues need to be anticipated in developing and proceeding with any form of board level governance study:**

1. **The scope of the governance study needs to be determined.** This is usually the province of the full board, perhaps with recommendations from the Nominating and Governance Committee. Governance studies can include any of the following:
  - Education of the board on current governance trends and practices
  - Audit of the board’s current practices, comparing them to governance trends and “best practices”
  - Board effectiveness reviews—analyzing how directors (and senior officers) feel about the effectiveness of the board
  - Committee effectiveness reviews—analyzing the effectiveness of committees and the board’s committee structure
  - Analysis of the relationship between the board and the CEO

- Analysis of the performance of the board chair
  - Analysis of the performance of committee chairs
  - Self evaluations by directors
  - Peer reviews of directors
  - Analysis of specific problems that are known to be causing problems with board operations
  - Written questionnaires for directors (and senior officers) to fill out and return
  - Oral interviews of directors (and senior officer)
  - Written summary of findings and recommendations
  - Oral presentation of findings and recommendations
  - Implementation of recommendations
  - Follow up on effectiveness of changes implemented or to update governance practices or previous governance studies
2. **The board needs to be supportive of the project.** Governance studies rarely have any significant impact unless the board is supportive, preferably unanimously and enthusiastically.
- It's important for the individual(s) proposing the particular governance study to understand whether there will be passive or active resistance on the part of some board members and to work to diffuse or eliminate such resistance
  - It can take time to build support for governance studies, particularly in the nonprofit and private company board arena where there has traditionally been less external pressure to address governance issues and trends
3. **A director or committee of the board needs to oversee the process.** Board governance is the province and responsibility of the board, not management.
- The Nominating and Governance Committee often takes this leadership role
  - Sometimes the board chair or another director takes the lead role, but this can limit candor on the part of directors
  - Consideration needs to be given to the ability of the “logical” person or committee to handle the project

4. **Typically these projects are conducted by a governance consultant or member of management (such as the corporate secretary) or in some cases by the Nominating and Governance Committee itself.**
  - This appointment to conduct the study is typically made by the director or committee overseeing the project, but in some cases the full board makes the appointment
  - Directors need to believe that the person or firm or committee doing the work has the necessary skills and expertise
  - Directors must to feel free to be candid in their responses and have confidence that their comments will be kept confidential
  - Cost can be a consideration in whether a study is conducted in house or by an outside consultant
5. **Issues to be reviewed and discussed with the board and individual directors must be finalized and approved by the committee or individual conducting the project.**
  - Will the study address issues or areas that are sensitive, or which the board has ignored (the “elephant in the room)
6. **The board needs to understand what is expected and when.**
  - Depending on the size of the board and the scope of the project, studies can take a number of months
  - If directors are to directly participate in the process, their schedules must be taken into account
7. **Once results and recommendations are reported, actions are often required to implement changes; failure to follow through can be alienating to directors and management.**
  - Delegation of authority to oversee implementation may be required
  - Action plans may need to be developed and progress reported and evaluated at both the board and committee levels
  - Implementing changes can sometimes be difficult and time-consuming