

Assessing Trustee Board Performance...

you know it makes sense but does your board do a good job or just go through the motions?



The role of the trustee board is both complex and difficult given the increasing expectations of internal and external stakeholders and to ensure that both the trustee and the board continue to perform at the appropriate level regular assessment of their performance is critical. Taking time to reflect on themselves can really help trustees and the board improve effectiveness and governance standards. The need for this type of review is acknowledged, but is often only given 'lip-service' and consequently is poorly executed.

There are three main approaches: (i) self-assessment; (ii) externally facilitated assessment; or (iii) a hybrid of the two. The merits of each are frequently

debated, as there can be big differences in the time commitment for the trustee board, the budget and the outcomes. Each of the approaches can add value, provided they are undertaken by trustees with a mindset that is willing to give and accept objective feedback and who are open to change -without these, it will just assume more of a 'tick-box' compliance exercise.

External assessments are usually performed less frequently than self-assessments; but you can mix and match to suit your requirements. For example: an external assessment every three years with a self-assessment and a hybrid review in the intervening years.

Board self-assessment

Self-assessment requires the trustees to reflect on their own performance and the performance of the board as a whole, to judge individually and collectively how well each has performed in relation to agreed and appropriate assessment criteria.

Usually taking the form of a questionnaire and a 'fire-side chat' with the Chair, self-assessments are easy to set up. Examples can often be found on pension websites or more bespoke ones can be created using sites like SurveyMonkey. Asking advisers to provide feedback can be helpful (the hybrid approach), as they can draw on experience of working with other boards.

Running a successful self-assessment exercise that delivers good outcomes requires:

- Relevant questions, tailored to issues specific to the trustee board where possible
- Trustees having the confidence to answer in a frank and open way - making the process confidential can help with this
- Allowing sufficient time for a full discussion of the results - ideally in a workshop separate from a 'fully packed' board meeting
- Identifying realistic actions with accountability for implementation - which are added to the trustees' business plan

The challenge is to ask the right questions - ones that will deliver feedback and insights which will make a real difference. Anodyne questions about process that avoid softer issues around leadership, decision making and behaviours will minimise the success of the exercise. Questionnaires are often just re-used year-on-year which can again reduce the value of the exercise.

A fresh pair of eyes

An alternative approach is an externally facilitated assessment – the emphasis being on 'facilitated' as the provider should not be giving an 'audit-opinion' on the board. These types of evaluation require a partnership between the external provider and the trustee board, with the investment of resources in terms of skills, knowledge and ideas from both parties.

Trustees will need to input:

- Management and direction, based on an agreed scope
- Knowledge of the organisation - culture, working practices, operational processes etc
- Communication and business relationships
- Their views on the current state of play and any challenges/issues

The external facilitator will bring:

- Pensions and trustee board performance expertise
- Knowledge of best practice in corporate governance and board effectiveness, benchmarks and industry insight

- Flexibility and resources with the appropriate technical and project management skills
- A fresh, independent pair of eyes with no hidden agenda

Making an effectiveness review successful

An effectiveness review needs to encompass a 360 degree perspective that uses a variety of ways to assess how the board operates. This may include activities such as:

- questionnaires
- diagnostic views (current vs. good practice examples)
- desktop review of documentation
- framework surveys and ratings
- structured interviews with board members and other stakeholders
- board meeting observation
- benchmarking comparisons
- workshops

Understanding the effectiveness of a board hinges on three key elements: Purpose, People and Process - the 3Ps. The diagram below provides an overview of some of the key constituents and the main driver of having a clear understanding of the role, culture and objectives of the board itself is often missing. In any review of performance there needs to be some form of articulation of the agreed objectives – you need some basic targets to measure against. See Diagram 1 below.

The assessment provides an opportunity to consider some or all of the segments to determine where current practice sits, and how this compares to both future needs and good practice. The review itself is typically split into three main phases, each covering a specific area of focus. Diagram 2 overleaf provides a summary of the flow of activity.

Each of the three phases bring its own demands and the key elements to consider are noted below.

Diagram 1



Diagram 1 (© 2017 Non-Executive Directors' Association)



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Diagram 2

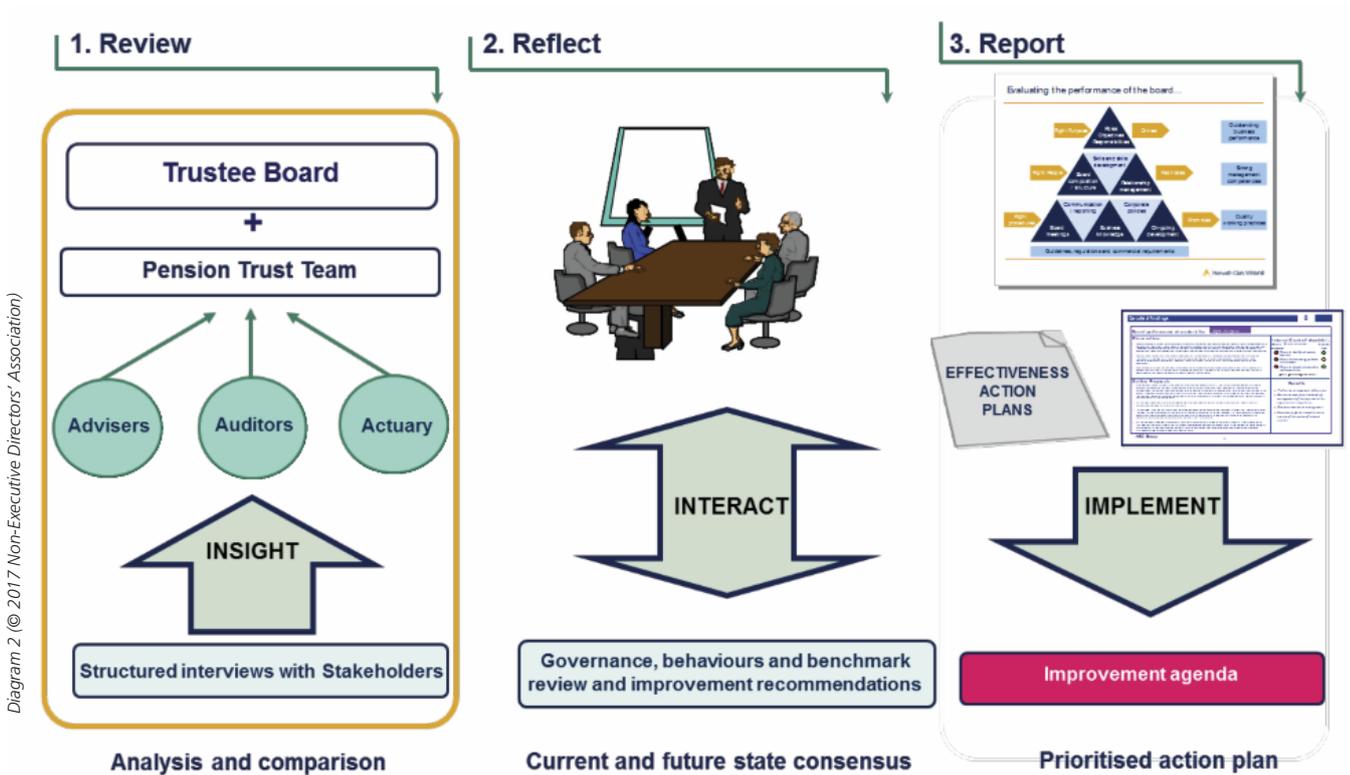


Diagram 2 (© 2017 Non-Executive Directors' Association)

Phase 1: Review

This phase involves scene setting, understanding the objectives and goals for the assessment and completion of the fieldwork. Relevant scheme documents would be collated looking for evidence of:

- effective information flow
- up to date and documented policies
- clear roles and responsibilities
- delegations and adherence
- clarity of advice provided by advisers
- appropriate level of support provided by the in house pensions team
- understanding and management of any conflicts of interest
- monitoring and regular performance assessment

Phase 2: Reflect

This stage analyses and reflects on the information gathered from the interviews and document reviews. It also adds in board and committee meeting observation, which focus on:

- chair leadership
- team dynamics
- effectiveness of the contribution of any advisers
- development of internal and external relationships
- ability to make the right decisions

Phase 3: Report

Findings and recommendations would be summarised into a report with an action plan that sets out timelines and responsibilities where any agreed changes are needed. Often a workshop is used to present and explore the review findings.

Doing the best for members

All pension trustees are looking to do the best job they can for their scheme members and assessing performance on a regular basis is an essential part of '21st Century' trusteeship. It should become an essential element of good governance but, more importantly, it can refresh and reinvigorate a board – which has to be a good thing for members. [4]