



**Grant Thornton**

An instinct for growth™

# The Board: creating and protecting value

A cross sector review of board effectiveness

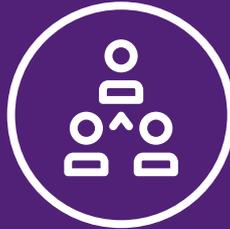
2017



# Key messages



Boards have a strong future focus



Executive behaviours tend to dominate which is not the best scenario for good governance or an organisation's future focus



There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency



In trying to achieve the best results for an organisation by balancing risk and opportunity, there is potential for boards to invest more energy in their governance roles



88%

More than 88% of respondents see their executives as being strong leaders of the organisation



93%

There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation



82%

Non-executives also need to live and breathe those values – 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose



75%

Only 75% of respondents feel that the recruitment process of non-executives is rigorous, well-documented or transparent



60%

Over 60% of board members believe there are adequate processes in place to evaluate performance

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# The balance between value protection and value creation

Boards<sup>1</sup> are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability.

The continuing challenge for boards is ensuring the right balance of discussion between value protection and value creation activities given the respective organisation's strategy and regulatory environment. The right discussion in the boardroom ultimately drives better results.

Building on our 2016 review of the effectiveness of audit committees we have examined four key aspects of board effectiveness from public, private, government and not for profit organisations across a variety of sectors. This is with a view to identifying those qualities and skills that are prioritised in driving an effective board and the potential pitfalls and challenges.

The report, based on a wide survey of board members<sup>2</sup> in the UK, raises key questions that boards should ask themselves to challenge their effectiveness. The organisations from which these members are drawn are subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.



<sup>1</sup> The 'Board' will be used to mean the ultimate governing body, and its collective executive and non-executive members, for all the organisations surveyed. In practice, the governing bodies and the members may be known collectively and individually by different terms, some of which may be defined in the laws appropriate to those organisations.

<sup>2</sup> 'Board members' will be used to refer to both executive and non-executive roles. We note that different sectors that were surveyed have legal differences in the roles taken by each.

# What perspectives are required in the boardroom?

When looking at perspectives in the boardroom we have utilised the DLMA analysis developed by Peter Tunjic<sup>3</sup>.

It is a simple yet powerful tool which provides a framework with which to evaluate how well an organisation is performing regarding the balance of skills, understanding of roles and responsibilities between the executive and Board and the alignment between the balance of energies between risk (value protection) and opportunity (value creation) and the overarching strategy and purpose. Specifically it looks to categorise skills and behaviours into four quadrants:

- **Directors** – Boards that ask “what could be” – future focus
- **Leaders** – Executives that lead ask “what will be” – future focus

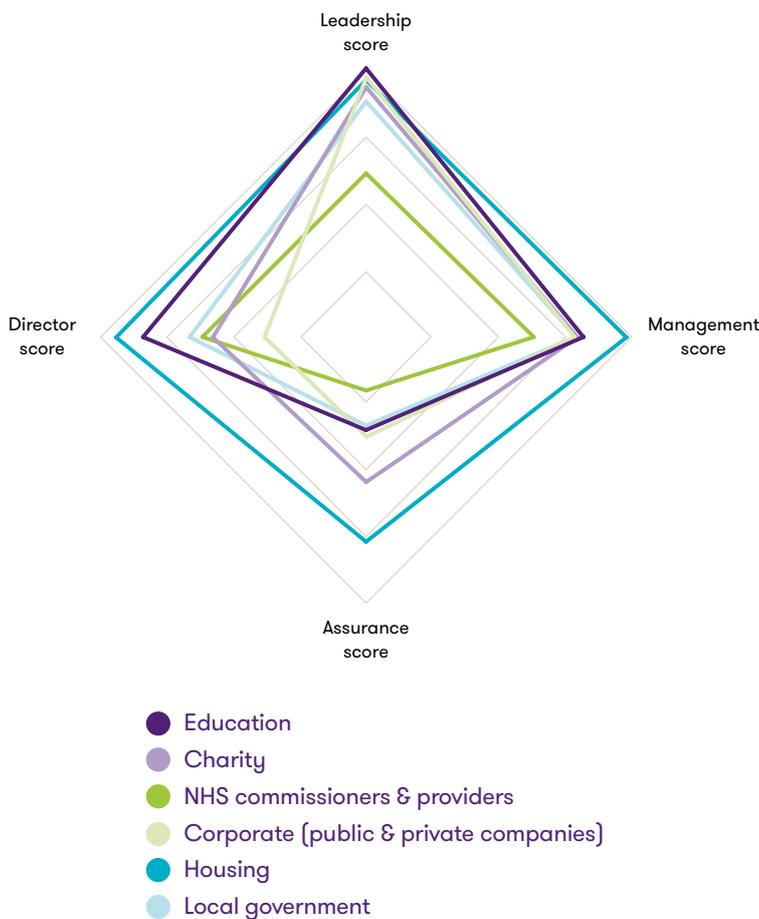
- **Managers** – Executives that ask “what to do” – the focus is on the now
- **Assurers** – Boards that govern ask “what if” – the focus is on what is hiding in the now

In principal, by looking at where these are strongest, a board can achieve a better understanding of where it is currently putting its energy, and determine if it has the right balance to deal with the issues and strategic concerns its organisation is facing. For a board to be effective, the executive and non-executive aspects both have to be contributing to value creation and value protection.

		Value creation			
Non-executives	<b>Directorship</b> <b>How well do the non-executives:</b> <ul style="list-style-type: none"> <li>• design, debate and decide the organisation’s future?</li> <li>• inspire and guide the executive to realise the organisation’s purpose?</li> <li>• provide support to the executives?</li> </ul>	<b>Leadership</b> <b>How well do the executives:</b> <ul style="list-style-type: none"> <li>• Make decisions aligned with realising the organisation’s purpose?</li> <li>• Inspire and motivate employees to realise the organisation’s purpose?</li> <li>• model the values of the organisation?</li> </ul>	Executives		
	<b>Assurance</b> <b>How well do the non-executives:</b> <ul style="list-style-type: none"> <li>• monitor financial, compliance and business indicators?</li> <li>• ensure appropriate processes are in place to manage risk?</li> <li>• have oversight of the executive team?</li> </ul>	<b>Management</b> <b>How well do the executives:</b> <ul style="list-style-type: none"> <li>• set goals, creating plans and allocating resources to achieve them?</li> <li>• effectively assign roles and responsibilities?</li> <li>• Focus on day-to-day tasks and resources needed to deliver strategic aims?</li> </ul>			
		Value protection			

<sup>3</sup> <http://ondirectorship.com/>

## DLMA matrix by sector



“Everyone in the organisation is aligned with the vision. The directors are there to drive this in a positive manner. We all live the values, not just talk them.”

Non- Executive Director  
Manufacturing company

Using this matrix our findings suggest that boards generally have a strong future focus, and that executive behaviours tend to dominate; the slight exception being in the corporate sector where the director score is less strong in AIM listed and private companies. It also indicates that there is potential for boards to be more effective at governance, to focus on what is hiding in the now.

This effectively reflected the strength of feeling amongst respondents that it was not the job of the non-executives to have oversight of the executive team.

There was also a strongly held view that non-executives do not inspire and guide the executive to realise the organisation’s purpose, and that this shouldn’t be expected. This is symptomatic of the underlying need to better align the roles of the board and the executive to achieve the future goals of the organisation.

## The executives – leaders v managers

Overall, the indicators of leadership, as outlined in our table, are high across all sectors: more than 88% of respondents see their executives as being strong leaders of the board and of the organisation.

Given the importance placed on the culture and values of the organisation it is encouraging to see 93% of respondents stating that the executive directors, or the senior executive teams, model the values of the organisation. This is essential in value-driven organisations such as charities and not-for-profit organisations but is becoming more relevant for publicly listed corporates too, who are increasingly required to demonstrate how they are embedding their culture and values. This is also a focus area of the Financial Reporting Council, who recently noted a “concerted effort on the part of businesses to improve trust in the motivations and integrity of business”<sup>4</sup>. This supports the wider Government Mission-Led Business review, which seeks to positively encourage business models that have social impact at their core.

<sup>4</sup> Financial Reporting Council, Corporate Culture and the role of Boards, July 2016



88%

More than 88% of respondents see their executives as being strong leaders of the organisation



93%

There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation



15%

The majority of respondents felt that their boards are working effectively in this area, with only 15% of respondents disagreeing with the statements made

In addition to creating value through their leadership, executives need to provide value protection through effective management of the organisation. The majority of respondents feel that their boards are working effectively in this area, with only 15% of respondents disagreeing with the statements made. There were some sector differences: the NHS providers and commissioners scored this the lowest, while those from housing, private and AIM listed boards were most positive about these statements – feeling their executives were delivering well in these areas.

Where respondents did disagree, they often stated that it was due to external factors outside the control of the executives, for instance by saying that the executives are ‘too stretched fire-fighting’ (Board member, NHS commissioner) and consequently there is less focus on realising the strategic objectives of the organisation. This was also often connected to ‘facing the issue of reduced resources’, particularly from the NHS commissioners and providers. Some also state that they feel the responsibility for day-to-day tasks and resources is well allocated and delivered by second level management, rather than the responsibility lying with the executive board.



**Key question:**

Are the executives allocating sufficient time to both leadership and management disciplines in the boardroom?

**Culture and values are clearly an important part of the executives’ role, but aren’t necessarily communicated clearly externally:**

Looking at the FTSE 350 only 35% provide even a passing reference to culture.

We also found that only one in five CEOs include discussion around culture in their introduction to the annual reports.

**This is further segmented by sector:**

In the technology sector 70% of companies make no reference to it at all while, on the flip side, almost half (43%) of utilities companies in the FTSE 350 acknowledge that culture is embedded at every level of their organisation, as part of their approach to both a responsible and sustainable business.

In the financial sector – which has historically been weak in this area – there has been improvement in the last year, with 87% of these companies now discussing culture in their annual reports.

## The non-executives – directors v assurers

The roles and responsibilities of the non-executive are often more difficult to define, and this makes it more challenging to measure effectiveness in this area. We consider their role through the lens of their need to balance their role as directors and assurers – and how it varies across the different sectors.

There is some debate about whether non-executives are expected or able to help guide the strategic vision of the organisation.

Overall, 73% of respondents felt that the non-executives played a role in designing, debating and deciding the organisation's future. This was particularly strongly advocated in the housing sector where there has been considerable progress in improving governance and getting the balance of boards right in recent years.

Of the 27% that disagreed, many stated that that this was not the role of the non-executives. Some felt that the executives should design the organisation's future and then present these to the non-executives for them to debate, refine or vote on. This was not limited to a specific sector, but NHS providers and commissioners and local government board members scored the lowest in this area. This may reflect differences in how those board member roles have been viewed historically in this sector, with less responsibility over the strategic responsibilities of the organisations and also regulatory specifications and interventions.

86% of respondents felt that the non-executives provide support to the executives. The minority that felt this support was not being realised added a caveat to say it was not specifically related to the non-executives not wanting to support strategy but rather regulation and focus on challenge affecting the dynamic of the board. One respondent, for example, stated that regulatory emphasis on 'challenge' has meant that 'support' has taken a back seat (Company Secretary, NHS Provider).

Nearly 1 in 5 (18%) respondents disagreed with the statement that the non-executives inspire and guide the executive to realise the organisation's purpose. Some commentary on these questions suggested that this was primarily the role of the Chief Executive Officer (CEO) and not the responsibility of the non-executives. However, some felt this was a potential area for improvement. One Chief Financial Officer (CFO) in Local Government outlined that the non-executives "make it difficult, rather than inspire".

**“It is not the role of a NED [to design, debate and decide the organisation's future]. It's the role of the executive to design and make proposals on future strategy; the role of the NED is to critique and shape that vision. It is the role of the board collectively as a unitary board to decide that future.”**

Company Secretary  
NHS Provider

**“The independent NEDs tend to challenge and help refine the strategy – the design and implementation is done by the executives.”**

Company Secretary  
Private Company



73%

Overall, 73% of respondents felt that the non-executives played a role in designing, debating and deciding the organisation's future



86%

86% of respondents felt that the non-executives provide support to the executives



18%

Nearly 1 in 5 (18%) respondents disagreed with the statement that the non-executives inspire and guide the executive to realise the organisation's purpose



14%

Fourteen percent of respondents disagreed with the statement 'The non-executives have oversight of the executive team'

"The non-executives have oversight at a high output/results and 'How did you get there?' level. Less so when it is digging into the detailed operations of a very big business."

Company Secretary  
Public listed company

An organisation has greater potential to achieve its purpose if its culture and values are firmly embedded at board level with non-executives aligned to its vision and living the values. That's where the inspiration and drive comes from.

As well as acting as support for the executive and guiding the organisation through setting the right values and vision, for an organisation to achieve its purpose and strategy, the energies of the board should be balanced and non-executives should have an assurance and control role. Given the regulatory environments that most organisations and sectors operate in, and the responsibilities of board members, we might expect this to be something upon which the board is focussed.

#### The role of the trustee

**In the case of charities, it is vital that trustees, who are always non-executives, are able to take a strategic view. They have to be guiding, deciding and directing.**

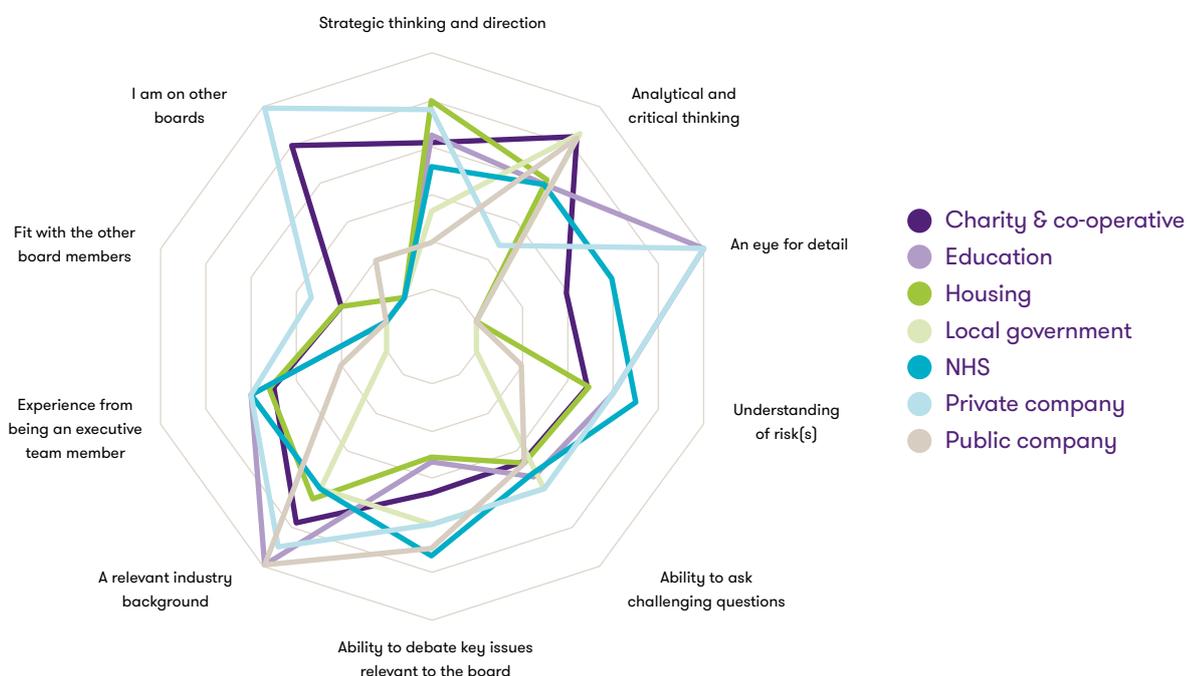
"Trustees are responsible for deciding and planning how your charity will carry out its purposes. All charity trustees should, therefore, decide together what activities the charity will undertake, and think about the resources it will need. Trustees of larger charities should take responsibility for setting the charity's strategic aims and direction, and agreeing appropriate future plans."

Source: Charity Commission guidance "The Essential Trustee" CC3.

Although the majority of respondents were positive about the role of the non-executives, this was less definitive when discussing the extent of non-executive oversight over the executive team. 14% of respondents disagreed with the statement 'The non-executives have oversight of the executive team', with several stating that it was not the job of the non-executives to have this level of oversight. Some also pointed out that this was reliant on the strength of the committees and interaction with the teams working below and with the board.

# The qualities required of a board member

What do you feel are the most important qualities you bring to your role?



We asked board members to identify three qualities which were most important to their board role and have considered how those qualities sit within the DLMA model for board effectiveness.

Board members very clearly believe that a relevant industry or sector background is an important quality that they bring to their role, a quality which would permit greater challenge, important in value creation.

Analytical and critical thinking and strategic thinking and direction are also key attributes, which align with the leadership and management capabilities of the DLMA model and tend to align with executive roles. Indeed the experience from being an executive team member is considered to be an important quality.

The survey also showed that board members attributed value to their ability to ask challenging questions and debate key issues relevant to the board, which again very much support the directorship characteristics of the board.

One interesting, and encouraging, outcome was the low value placed around the importance of 'fit' with the other board members. As with all board characteristics, it is important to achieve a balance around the concept of 'fit'.

On the one hand, it is undoubtedly bad practice to fill a board with clones but on the other, culture, values and personality considerations are an important part of board effectiveness.

'Fit' does not necessarily mean 'similar to' as it can also mean 'complementary'. Interaction and fit with other board members can be an important part of board effectiveness if it is supporting valuable boardroom discussions, it is also an area of potential risk for group-think and closed board appointments. If 'fit' is prioritised in the wrong way, voices and people that do not 'fit' can be excluded which can impede the board's ability to be effective in representing the wider stakeholder agenda.

# Is the board ensuring it improves its effectiveness?

So what approach are organisations taking to ensure that there is a sufficient mix of skills and quality to drive both insight and challenge at board level?

In terms of addressing the skills required, one Chair of a public company stated that “We have an annual skills audit to ensure that we are effective and we publish the analysis in our Annual Report”. Some others stated that they had recently identified a skills gap that they were looking to fill through appointing a new board member. Increasingly from our experience we are seeing, as part of the evaluation process, a benchmark or assessment of the skills against a matrix which has been developed and weighted in line with the strategy to understand the balance between those the skills which support the opportunity or the risk debate.

In addition to ensuring that it has the right mix of skills and experience around the boardroom, an effective board needs to ensure that it is evaluating its own effectiveness and is committed to ongoing training and development.

**Does your board have the appropriate skills and expertise to fulfil its role effectively?**



## Board evaluation

“The board must carry out an annual appraisal of its own performance and an annual appraisal of individual board members including the chair, and, if appropriate, the vice chair and any executive who sits on the board.”

### The National Housing Federation Code

“The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.”

### UK Corporate Governance Code

“The board evaluates its own performance and that of individual trustees including the chair. For larger and more complex charities this is will be every year, with an external evaluation every three years.”

### Charity Governance Code (draft third edition)

The Committee of University Chairs (CUC) Guide for Members of Governing Bodies (December 2014) recommended regular reviews – every four years – of governing bodies’ effectiveness and of the institutions’ performance, with published reports on the outcomes.

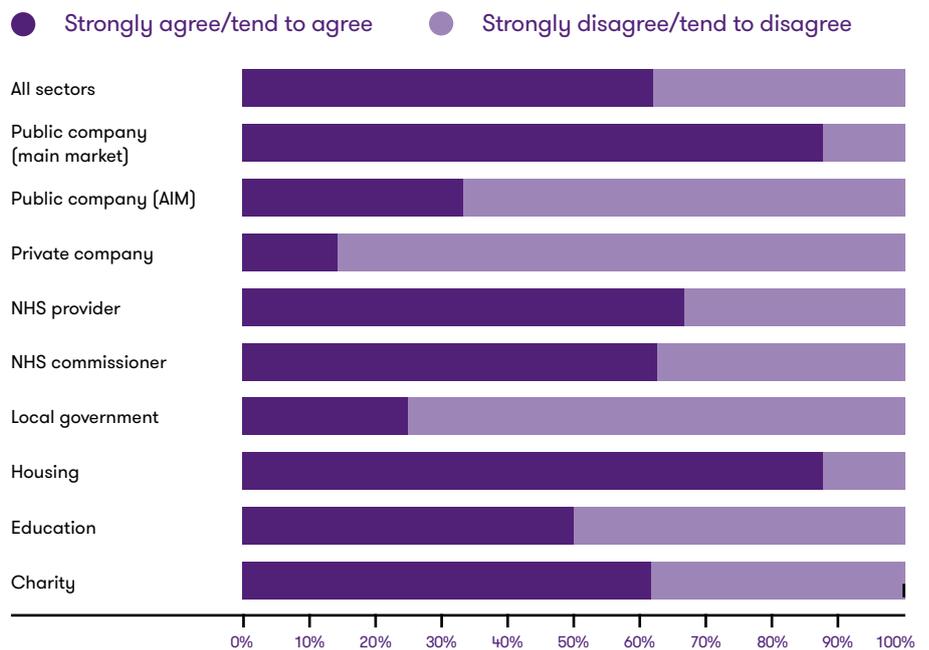
One Chief Executive of a charity highlighted the importance of getting the right behaviours and values rather than directors needing to have the right skills: “We are proactive in trying to maintain a balance of skills and knowledge; however behaviours and values are less easy to balance. Our focus has recently shifted to how someone interacts and behaves - the sort of person they are and their style and approach. These... things differentiate between ticking the boxes and being highly effective.”

Board evaluation is a crucial aspect of understanding effectiveness and something that boards, regardless of size and sector, should be considering. A high performing board will open itself out to external scrutiny and provide opportunities for their board to be honest about what drivers will influence its effectiveness.

Many codes of governance already reflect the importance of board evaluation and therefore it is not surprising that more than 60% of respondents were of the opinion that there are adequate processes in place to evaluate the performance of the whole board in their organisations.

Although organisations may choose not to conduct an externally facilitated board evaluation, effective board evaluation can be conducted internally and still usefully support the board to move forward. Although this flexibility exists, and there is an increasing level of evaluation, we know from experience that there remains resistance to evaluating board performance, even more so to commenting publicly on the findings and recommendations.

### There are adequate processes in place to evaluate the performance of the whole board



One company secretary on an NHS provider board stated that: “There has been resistance to do board evaluation by all four of the Chairs I have worked with. Every Chair wants time to make their own mind up and then some time to make some changes and then some time for those changes to embed before doing a board evaluation”.

Company Secretary  
Private Company



60%

60% of respondents were of the opinion that there are adequate processes in place to evaluate the performance of the whole board in their organisations

There are some sector differences around board evaluation. Publicly listed companies in the FTSE tended to agree that the board sufficiently reviews its own effectiveness, while those in private companies were far more likely to disagree.

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In the FTSE 350 – where it is required by the corporate governance code – only 3.9% do not have a way of internally or externally evaluating the board. 52% of FTSE 350 companies provide good or detailed explanations of how their board and directors are formally evaluated, but there is a split between the FTSE 100 and the FTSE 250: 71% of companies in the FTSE 100 provide such good or detailed accounts compared to only 42% of the FTSE 250<sup>5</sup>.

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For organisations in the charity sector the pressure to demonstrate good standards of governance continues to increase as the public and media demand stronger demonstrations that charities are well run. Although hard statistics are difficult to obtain, it seems that there has been an increase in both the awareness of a need for board effectiveness to be assessed, and the opportunity for external evaluation to help make that survey independent and valuable. The inclusion of more detailed provisions for board evaluation in the 3rd edition of the governance code for charities will promote better practice.

Anecdotally we know that many good boards (and committees) encourage peer group challenge as a review tool, but this is less visible in the public sector. Many public sector boards actively discourage this approach on the pretext that regional and sector differentiating factors reduce the effectiveness of the peer review.



#### Key questions:

Is there a balance of skills between those that understand opportunity and risk – is this right for the organisation's strategy and sector?

Are you making the most of different skills, to get a range of perspectives on key issues and to drive better performance?

Is there clarity as to why the board is structured the way it is and how this supports effective governance?

Is the nominations approach effective and fit for purpose?

How are you ensuring your board is effective? Could the board benefit from an internal or external review?

<sup>5</sup> Grant Thornton's Corporate Governance Review 2016, 'The future of governance: one small step ...'

# Are board members being provided with the right information?

Crucial to the effectiveness of any board is having confidence in the information with which they are provided to inform decision making.

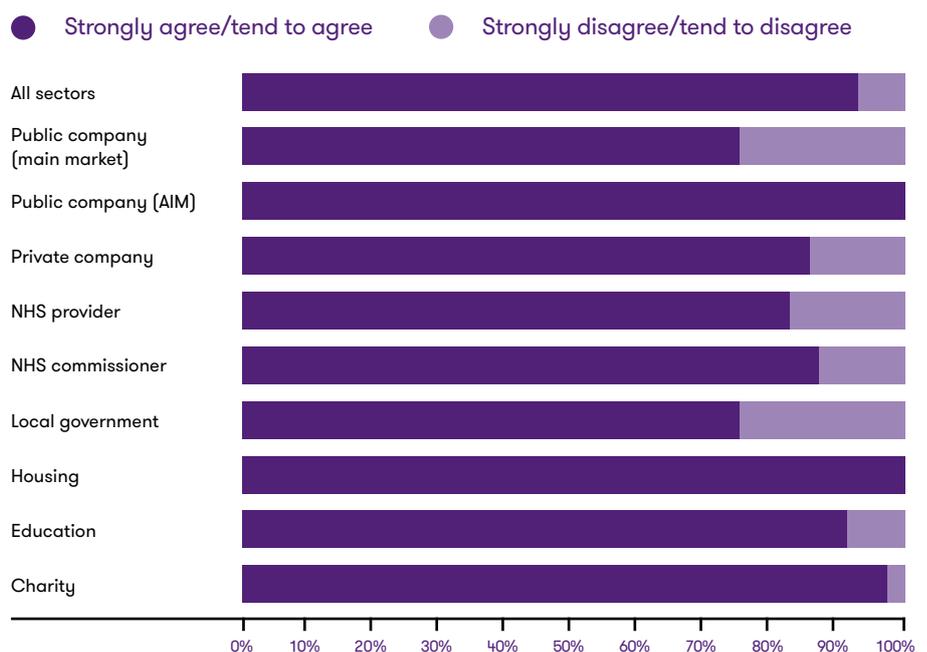
An effective board will be provided with clear, timely and comprehensive information from within the organisation, relevant briefings and information from outside the organisation, and be producing fair, balanced and understandable reporting to their external and internal stakeholders.

Our survey found that on the whole the board has confidence in the level of information provided to them.

There is a definite bias towards providing information from internal sources; 93% of respondents felt they were supplied with enough information to enable them to keep up to date with developments within the organisation – for instance with internal briefings, office or site visits and presentations to board from senior management. Similarly more than 90% felt that agendas and papers were distributed appropriately (such as timeliness and format) to enable proper consideration prior to the meeting.

That said, we know from experience that there are some sectors, such as the NHS, where the volume of information provided to non-executives is still so comprehensive, and jargon filled – in excess of 300 pages - that it is hard to hone in on the most valuable information, and therefore the opportunity to raise great questions and for valuable challenge is lost.

## All board members are supplied with sufficient information to enable them to keep up to date with developments within the organisation



Interestingly, nearly a quarter (23%) felt that they are not supplied with sufficient information to enable them to keep up to date with developments outside their organisation, such as regular board training and briefing on governance and the wider business context.

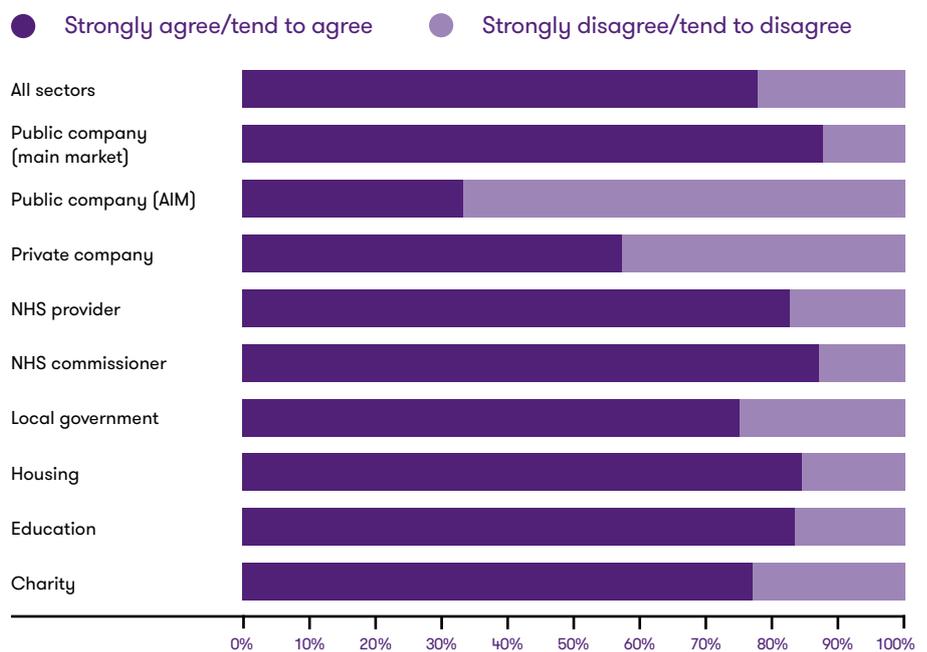
There were also less positive messages around training provided for board members, as 16% overall felt they were not encouraged or supported when seeking training or additional information to perform their roles. Those from AIM listed companies, NHS commissioners and Local government boards were most affected by this. This was another area where Housing boards were more positive too – 94% felt they were well supported in this area.

## Board training

Our survey suggests that organisations may not be reporting the full extent of the training provision provided to boards.

In May 2016, Grant Thornton published ‘Transmitting trust through good governance’, a review of governance practice among the 100 largest charities as recorded in their annual reports. Over 40% of charities provided little or no disclosure on how trustees are trained, with only 8% achieving a detailed level of information.

### All board members are supplied with sufficient information to enable them to keep up to date with developments in the wider world



23%

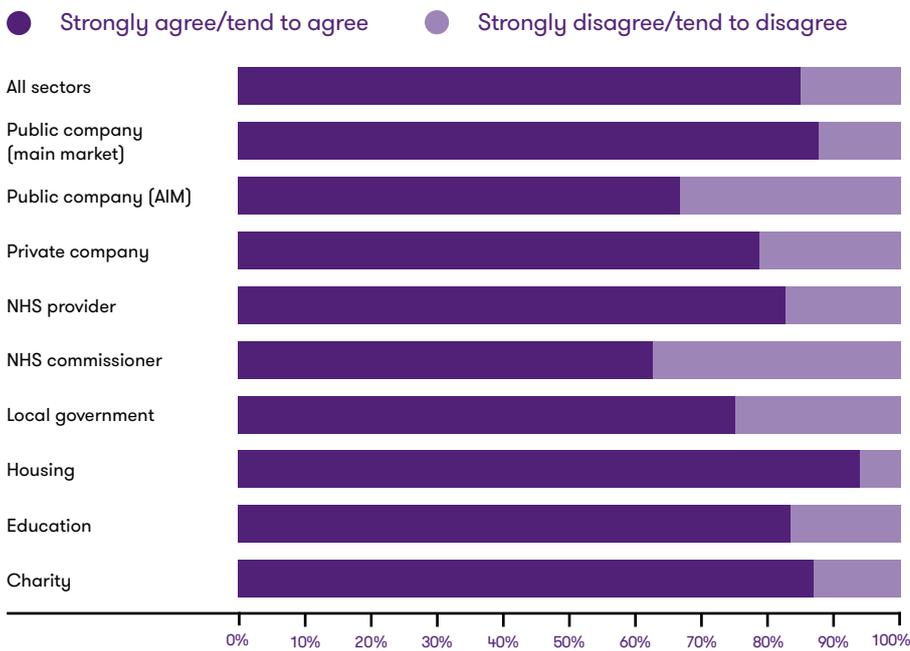
Nearly a quarter (23%) felt that they are not supported with sufficient information to enable them to keep up to date with developments outside their organisation, such as regular board training and briefing on governance and the wider business context.



16%

16% overall felt they were not encouraged or supported when seeking training or additional information to perform their roles.

**All board members are encouraged and supported when seeking training or additional information to perform their roles**



**Key questions:**

Are board members supported and encouraged by the organisation to keep up to date with external issues?

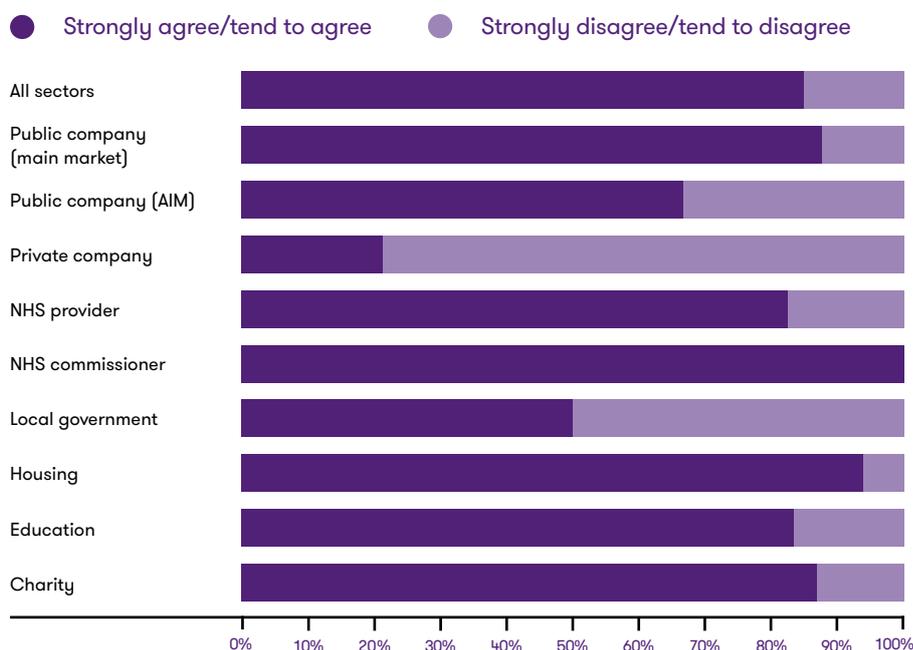
Are you identifying and addressing your board's training needs?

What more could be done?

# How are new board members appointed?

The appointment process for new board members has received a great deal of scrutiny in recent years, particularly in relation to board diversity.

## The recruitment process of non-executive directors is rigorous, well documented and transparent



The FTSE 350 are required by the UK Corporate Governance Code either to publicly advertise for roles or use search firms, and to disclose this in their annual reports. While no companies state publicly advertising for new directors, only half of those who appoint a new director state that they use a search firm. They are also required to report on how they identify and appoint new directors: some 44% of these companies offer a good or detailed description of the nominations committee and the process of board appointment<sup>6</sup>.

Rigorous, transparent and well-documented recruitment processes help to ensure board members from a wider pool are recruited, and avoid boards recruiting the ‘usual suspects’.

<sup>6</sup> Grant Thornton’s Corporate Governance Review 2016, ‘The future of governance: one small step ...’



The rigour around recruitment in the housing sector could well explain the more balanced scores in the DLMA model, but is not borne out for NHS commissioners and providers or publicly listed companies. In the NHS, the regulator has long had a vetting role in the appointment of non-executives, and therefore decisions around the appointments are made in isolation without taking account of the holistic composition of the board. The processes work well around gender and ethnic diversity but are less well suited to finding someone with the personality and skills that fit with the rest of the board.



**Key questions:**

How are your new members identified and appointed?

Is the process the most efficient way, and getting the best candidates?

“To date it [recruitment] has been through referral/personal contacts.”

Trustee  
Charity

# Methodology

In 2016 Grant Thornton UK published a cross-sector review of the effectiveness of audit committees and the key role they play in corporate and organisational governance.

Building on the insights of that report and the value of seeing the similarities and differences across sectors, we have broadened out the scope to examine key aspects of board effectiveness across the same sectors.

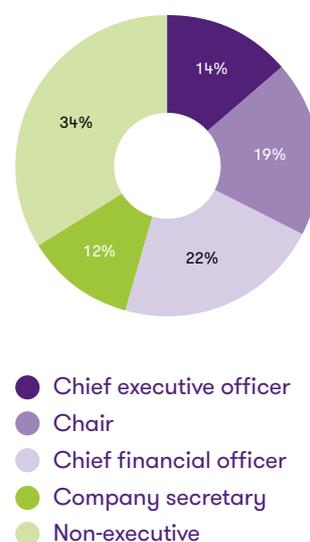
In 2017 we issued a survey (see questions at Appendix on page 20) to a sample of chief executives, chairs, directors of finance/chief financial officers (or similar), board members/ non-executive directors and company secretaries drawn from a wide range of organisations and sectors including:

- charities
- housing and education providers
- co-operatives and mutuals
- NHS providers and commissioners
- local government bodies
- private and public companies (main market and AIM).

This survey was designed to gain insight into the ways in which boards can operate more effectively by bringing together the perspectives of board members across different organisations and sectors, to tease out those qualities and actions necessary for an effective board and the potential pitfalls and challenges boards and members may face.

Responses to the survey were evenly balanced between those who held executive and chair and non-executive roles.

**Survey respondents by position**



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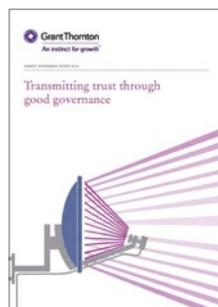
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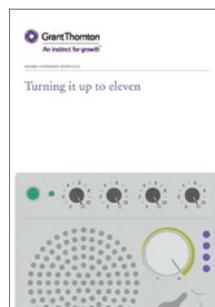
## Governance matters



Corporate Governance  
Review 2016



Charities Governance  
Review 2016



Housing Governance  
Review 2016



Global Governance  
Review 2016, GTIL

For further information, visit: [www.grant-thornton.co.uk/governancematters](http://www.grant-thornton.co.uk/governancematters)

# Advising on governance

## 1 Corporate reputation

**When is it relevant** – Perceived value gap between corporate and investor stakeholders’

**Value add to client** – Independent investor and stakeholder relations advisory services to boards and executive teams

### Types of solutions enabled with management

- Tailored Investor and stakeholder relations training for all levels
- Undertake full capital markets perception audit skewed towards investors but also to include analysts and press if needed
- Refine investment case and update investor toolkit materials as and where necessary
- Best practice Investor and stakeholder disclosure and reporting (websites/presentations/investor documents)
- Shareholder and debt holder register analysis with targeting, access and roadshow management – UK, Europe and globally

## 2 Governance diagnostics

**When is it relevant** – Organisations seek to understand whether existing governance reflects good practice

**Value add to client** – Detailed and insightful comparison to a database of peers enables gap analysis of As-Is structures and identification of solutions

### Types of solutions enabled with management

- Benchmark reporting to market good practices
- Identification of areas for improvement (in annual report and/or issues with internal framework and approach) dependent on appetite and suggested solutions prioritised
- Development of implementation plans and change programmes
- Peer and sector comparison

## 3 Governance renewal

**When is it relevant** – A significant change event has occurred which means that the current governance framework is no longer fit for purpose

**Value add to client** – We facilitate the design and implementation of corporate frameworks which support value creation

### Types of solutions enabled with management

- Strategic reviews, integration and organisational design
- Development of frameworks, policies and procedures
- Group Risk appetite identification and embedment
- Internal control reviews and redesign
- Internal audit effectiveness reviews
- Performance and incentivisation measures, restructuring and implementation

## 4 Strategic sustainable reporting

**When is it relevant** – Performance is focused on short term or unbalanced targets

**Value add to client** – Ensures that performance and reporting is aligned to sustainable, long term value creation

### Types of solutions enabled with management

- Review of and advice on corporate reporting
- Integration of internal performance reporting with strategy
- Creation of sustainability and compliance reporting methodology
- Non-statutory reporting assurance

## 5 Leadership and culture

**When is it relevant** – Culture needs to be aligned to strategy in order to realise corporate purpose

**Value add to client** – Cultural change can be achieved more efficiently when values and behaviours are considered alongside strategy, systems and processes

### Types of solutions enabled with management

- Cultural audit
- High potential assessment and development programmes
- Executive and board level coaching

## 6 Board evaluation

**When is it relevant** – assessment of board practices or restructuring of board governance

**Value add to client** – External assurance over board and/or structure, capability and function

### Types of solutions enabled with management

- Board effectiveness reviews
- Committee effectiveness reviews
- Committee structure and terms of reference design
- MI quality and effectiveness assessments

# Appendix

## Board effectiveness survey questions

### Questions directed at executive roles such as CEO, COO, CFO

- The executives make decisions aligned with realising the organisation's purpose
- The executives inspire and motivate employees to realise the organisation's purpose
- The executives model the values of the organisation
- The executives are able to describe and articulate the strategy of the organisation
- Each member of the executive has the opportunity to provide value
- The executives effectively assign roles and responsibilities
- The executives focus on the necessary day-to-day tasks, and review and anticipate resources needed
- The executives set goals, create plans and allocate resources to achieve them

### Questions directed at non-executive roles

- The chair ensures appropriately balanced input to meetings from all members
- The non-executives design, debate and decide the organisation's future
- The non-executives inspire and guide the executive to realise the organisation's purpose
- The non-executives provide support to the executives
- The non-executives monitor financial, compliance and business indicators
- The non-executives ensure appropriate processes are in place to manage risk
- The non-executives have oversight of the executive team

### Questions directed at all board members

- All directors are supplied with sufficient information to enable them to keep up to date with developments within the organisation (eg internal briefings, office or site visits, and presentations to board from senior management)
- All directors are supplied with sufficient information to enable them to keep up to date with developments in the wider world (eg director training, briefing on wider business context)

- All directors are encouraged and supported when seeking training or additional information to perform their roles
- The board overall is the right size to effectively fulfil its function and duties
- The board overall has the appropriate skills and expertise to fulfil its role effectively
- The recruitment process of non-executive directors is rigorous, well documented and transparent
- There are adequate processes in place to evaluate the performance of the whole board
- Agendas and papers are distributed appropriately (timeliness, format) to enable proper consideration prior to the meeting
- The relationship between the chair and the chief executive adds value to the organisation
- Board meetings provide sufficient time to enable each required item of business to be debated with the appropriate level of detail and rigour
- How much time does the board spend on directing and leading its executive to do the right things and create value compared to getting things right through assurance and management?

### What do you feel are the most important qualities you bring to your role? (Please select 3)

- A relevant industry background
- Analytical and critical thinking
- Ability to debate key issues relevant to the board
- I am on other boards
- Experience from being an executive team member
- An eye for detail
- Ability to ask challenging questions
- Understanding of risk(s)
- Strategic thinking and direction
- Fit with the other board members





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