

Briefing Notes

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## Measuring the effectiveness of boards

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### Introduction

David Levenson led a discussion of the HACT NED Network on measuring the effectiveness of boards. He has been a boardroom coach for the last 7 years as well as being on the boards of various organisations, including the Tavistock and Portman NHS Foundation Trust, the Industrial Dwellings Society and Qualitas Housing. David was interested in discussing how to approach measuring board effectiveness in more creative ways that address the weaknesses that arise with current approaches.

In a poll at the start of the session, 78% of attendees said that boards should review their effectiveness at least annually, 0% said at least once every three years and 22% answered another timeframe. One attendee said reviews should be continual and should occur at least after every board meeting. The required answer according to the NHF Code of Governance is that board effectiveness reviews should be conducted at least annually on a self-assessed basis and assessed at least once every three years with the assistance of an external party.

## Board Effectiveness – The Regulator’s Perspective

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David used the recent example of the CBI as an ineffective board. From what was in the public arena, it appeared that the board had failed to challenge the actions of the CEO, failed to provide a safe place for employees to voice their concerns and did not address long-standing, deep rooted problems.

The Regulator of Social Housing expects board members to ensure that providers are being managed effectively and are meeting the regulatory requirements. The Regulatory Standard does not explain what is meant by ‘being managed effectively’. Effectiveness of the board is reflected in how the board performs and also in what the board stands for, for example whether the diversity and values of the organisation aligns with that of the board.

## What does an effective board look like?

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Effectiveness is the best measure of the impact the board is having on an organisation.

An effective board uses board evaluations to inform and influence succession planning in order to identify issues and improve. As well as assessing the effectiveness of each board member, evaluations should also explore the collective effectiveness of the board as a unit.

Director behaviour is one of the most important criteria to measure board effectiveness and is, perhaps surprisingly, more reflective than director competence.

It is difficult to measure effectiveness and previous methods such as the balanced scorecard may not be the best indicator to use as research has shown using this approach does not improve the effectiveness of the board.

## What are the challenges with board effectiveness reviews?

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Board appraisals can too often be seen as tick box exercises which tend to be lengthy, generic surveys. This approach does not produce reliable data, therefore the results are not useful and they are rarely discussed in any depth. Gaps are not identified and subsequently remain unaddressed. This approach can also be costly in terms of money and resource.

### Discussion

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One attendee explained that, at their organisation, the appraisals are spread out over 6 months which makes it more digestible than having a wholesale review at once.

Another attendee's organisation uses 360-degree interviews across the executive and non-executive teams. The results are then discussed at an away day and people are encouraged to be open and honest with a key focus being on the culture of the organisation. Culture can be seen as a loaded term but it is important to carry a 'personal governance mirror' around with us to make sure we can check in with ourselves and make sure we are doing the right thing.

## Measuring board effectiveness – a metrics-based approach

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David introduced a metrics-based approach as a more efficient process than the balanced scorecard approach and results in more useful information.

The starting point requires an understanding of the competencies available to the board i.e., skills, knowledge and experience. Board members can evaluate their own competencies with reasonable accuracy and then apply their judgement to measure the board's collective effectiveness. Board members self-assess their own level of competence and the board's collective effectiveness against a pre-agreed list

of criteria, e.g. stakeholder engagement. The two measures are compared against one another to create a correlation factor. If a board member views themselves at the same level of competency as the board collectively for a specific criterion, then the correlation factor will be 100%. If the two levels of competency are different for a specific criterion, the correlation factor will be above or below 100%. David suggested organisations could be aiming for a correlation factor of 75% or above and talked the group through the approach and a set of results as to how this then identifies where improvements could be made.

## Conclusion

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David Levenson will be chairing a roundtable discussion on “Board Recruitment and Succession Planning” at the NHF Housing Governance Conference on 22 June 2023.

## Housing 2023

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HACT NED Network members can obtain free tickets for Thursday at CIH Housing 2023 when there is arranged a HACT NED Network lunch for all attendees.

## Register for our next session

### Maintenance and Repairs

Monday 05 June 16:00 - 17:00

Repairs are always cited as the biggest concern for tenants, alongside communication. Often the two complaints can go hand in hand. Given the repairs focus in the new Tenant Satisfaction Measures and the forthcoming consumer regulation, tenants experiences of repairs will be more crucial than ever. One of the key recommendations from the Better Social Housing Review is for the sector “to develop and apply new standards defining what an excellent maintenance and repairs process looks like.” So why are we still getting it wrong in so many cases? And where can good tenant engagement and insight in your organisation meaningfully help?

Speakers: Jenny Osbourne , Chair of Stockport Homes and CEO of Tpas

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A special thanks to our partners



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