
Board of Directors Evaluations

A board of directors should conduct a self-evaluation. This may be a new idea for many boards but is a good board practice. There is an old saying that “a board of directors is like a fire department – it needs to run effectively in an emergency.” A board often doesn’t realize how good (or bad) it is until it has an emergency. A board of directors, especially a value-added business board, needs to decide and understand how it functions as a group and what it does, so that during an emergency it can run effectively and efficiently.

If you talk to directors, they often dislike the routine activities of the board. Things like approving the minutes from the last meeting or reviewing committee reports. These are items that are often content driven and, if not handled properly in the board room, can consume a lot of time. Most directors want to spend the majority of their time on more constructive activities. A board evaluation can help identify how the board can improve the efficiency and effectiveness of its decision making process.

A good practice that many boards follow is, at the end of the meeting, to ask themselves how they could have made the meeting better and more efficient. This provides an immediate evaluation of each meeting. It is a way of showing that the board is willing to adopt good management and business practices. Many boards rotate the responsibility of leading this activity to a different director for each meeting.

Conducting a Board Evaluation

Board evaluations can be of two kinds. The first is a self-evaluation of the board as a group. More than two-thirds of boards do group board evaluations. In addition to doing a group evaluation, some boards do peer evaluations of each of the individual board members. Only about one-third of boards do director evaluations of individual directors. We will focus just on group board evaluations.

Conducting a group evaluation is difficult, and it is important to allow sufficient time for the evaluation. The most important aspect of an evaluation is to

decide what you want evaluated. Each group will want to evaluate something different.

A good practice for conducting an evaluation is to appoint a committee and have the committee contact an outside professional to work with them on developing the evaluation instruments. The evaluation instrument should be a list of questions on which the board wants to be evaluated. The questions often focus on topics like the efficiency and effectiveness of board meetings, the board’s relationship to committees, or the board’s relationship with the CEO or general manager.

The board then develops a survey instrument. It is up to each individual board to choose the questions on which they want to be evaluated. The committee then makes a recommendation to the board of the questions on which they want to be evaluated. The board then passes a motion to approve the survey instrument and how the survey process will be conducted.

The evaluation may be conducted during a formal board retreat. The board may employ an outside professional, a trusted person, to administer the evaluation. After the evaluation, the results are sent to someone outside of the board to be tabulated. This person works with the board chair person to determine the best way to provide the information to the board. The board chair usually has the outside person present the results to the board. The board can then discuss the results in a constructive manner and focus on ways to improve itself. After a year or two, boards may want to expand their evaluation to also focus on individual director evaluations.

How does the board president discuss the evaluation results with the directors to get the most benefit from the evaluation while not offending any of the board members? Most directors probably have not gone through an evaluation process like this. Most individuals, by human nature, are insecure about being

evaluated. In fact, some may not have ever done a self-evaluation, except perhaps in school and that may have been a long time ago. However, in actual practice we find that very few negative comments emerge about the board itself. Rather, the comments are usually positive and constructive.

Acting on the Evaluation Results

The first time the board does an evaluation, the comments tend to focus on the relationship between the CEO and the board. Also, the comments are often about the meetings themselves and how they may be improved.

The board often wants to define its relationship with the CEO or general manager. A long-term manager may have had a very comfortable relationship with previous board members. However, if there has been a lot of board turnover, the new board may be struggling to find its relationship with the manager. Questions often emerge such as, “Is it okay to invite the CEO out to the farm for supper” and “if I’m at the office, can I knock on the manager’s door and say hello?” These things may seem inconsequential but are uncertainties for many new board members.

A new director may have difficulty finding their voice in the board room (how they fit.) Conversely, you often find that the other board members wish the new director would speak-up because they want to hear their opinion. A board evaluation will bring this situation to light for discussion. The board evaluation will give confidence to individual directors that their opinion is important and that their voice needs to be heard in the board room.

A good board practice is to minimize the time spent on routine activities and maximize the discussion in the board room on important issues. They may ask

the secretary to record the amount of time it takes to discuss individual routine items. After several meetings, the secretary reports to the board on the amount of time spend discussing various routine items. The board can then determine if that number is high or low relative to what they would like to accomplish during the meeting. If amount of time is too high, the board may look for ways to get content out to directors before the meeting in order to minimize routine activities and maximize time spent on the important issues.

In summary, when the evaluation results are tabulated and presented to the board of directors, we usually find that the results focus on positive and constructive comments of ways the board can function better and more efficiently as a group.

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