



## How to do a good internal self-assessment

For many it's that time of year again. The AGM is out of the way and the annual board effectiveness review has again (all too soon) found its way on to the "to do" list. For some it will mean it's time for the periodic external review. For others it will be a self-assessment. More often than not, that means something questionnaire-based. And that's where a certain weariness (if not rigor mortis) can set in. Mixed feelings of "it's come round again too soon", "not another questionnaire" and "haven't we seen this before" can add up to a distinct lack of enthusiasm. So, if you have chosen questionnaires, what's needed to get the most out of it? Here's some advice based on our experience with Thinking Board, our online internal self-assessment service.



### Good practices to consider...

Decide right at the outset on the purpose of the review, as this will affect the questionnaire design and scoring system. The most useful goal is to identify opportunities for the Board to work better in future. Another is to track how the Board sees progress on issues identified in previous reviews.

Make sure the Chairman shows real support for the exercise and gives clear messages about its purpose. Explain that it's to help the board work better and so it's well worth the directors really giving it their attention. Ask them to make a real effort to add comments to flesh out their scores and offer their ideas.

Ask questions that are looking for the directors' views and prompt them into having a good hard think about what really drives the Board's effectiveness. Using more informal language helps, as do open questions: "How well do you..?" rather than "Do you..?" And unexpected questions always get people more engaged.

### Things to avoid...

Aiming for an "effectiveness score". Learning that you're a 7.6 out of 10 achieves little apart from challenge to, or grounds for, complacency depending on your mood at the time. Even knowing that it compares with 7.2 the previous year tells you nothing much.

Letting it drop into mail boxes with no message from the Chairman. A brief announcement from the company secretary of "here it is – please do it" tells everyone that this is an annual tick-box exercise and it will get the level of enthusiasm it deserves.

Using "Corporate Governance Code" language. It's pretty uninspiring in a questionnaire. And questions which result in a simple "Yes/No" answer probably won't help much in teasing out insights.

## Good practices to consider...

Make the questions interesting, thought-provoking and a bit different from last year. As far as possible, target them at the Board's actual effectiveness, rather than at its process. Questions aimed at showing how much comfort the Board feels it has over risk management and control will give more insight than asking if the Board did its annual review. And asking if the papers adequately equip the Board for discussing [name an issue eg the pension deficit] will prompt ideas more effectively than asking "if the board information meets the needs of the NEDs."

Craft the question wording carefully. It needs to be engaging and not predictable, but also clear enough that everyone understands it in the same way. And every question should be framed so that the scoring is applied consistently.

Think carefully about the scoring system. If the goal is to find opportunities for improvement, the scoring that we have found works best is a simple three-part scale: Not good enough, OK but could be better, and Fine for now. People do use all three of these, because they aren't going to extremes.

Think carefully about who should be asked to respond to the survey – just board members, or others? There is real value in finding out how people who are involved with but not members of the Board/Committees see things. Include executives who are regular attenders or presenters, such as heads of divisions and functions, and professional advisors such as the external audit partner and remuneration consultant. Decide on your policy regarding anonymity, if you want non-board members to be honest about how they see you.

## Things to avoid...

Having a predictable list of questions about all the usual things. This will generate predictable answers. Using last year's questions will enable you to produce a not-very-meaningful comparative score, but it won't get anyone very engaged. And don't ask questions which are "factual" and which can be answered by the Company Secretary (believe it or not, we still see questionnaires asking directors how many times they meet a year...).

Short questions which can be interpreted differently, and subtle questions that might not be understood at all. If a question isn't going to be answered consistently, it's usually not worth asking. And switching between "5" meaning "good" and it meaning "bad" will always result in someone scoring questions the wrong way round...

Scoring ranges where there's little opportunity to differentiate on the downside. Where 1 = "needs improvement" and 2, 3, 4 and 5 = different shades of "good", you'll end up with a positive but not very useful picture. And large ranges tend to get scores that cluster around the middle.

Asking only the board members to assess themselves, and assuming that no-one else's perspective matters. In fact, Boards depend on executive support, and identifying systematic differences of opinion between directors and executives is one of the best ways to get under the surface of issues and begin to understand the root causes.

## Good practices to consider...

To assess improvements from last year, pick out the questions which led to interesting results and actions, and create some new questions to explore progress. Take advantage of the space created by dropping out some of the questions to add in more detailed and challenging questions on the areas where work was needed. (But make it clear to people that's what you've done.)

When it comes to the report, keep it short and focused on the main points. Illustrate it with interesting (non-attributable) quotes from the comments: it adds flavour and people like seeing their comments taken seriously. But don't overdo the quotation – it's the job of the reporter to synthesise.

## Things to avoid...

Repeating the whole questionnaire. If some of last year's questions didn't provide much insight or clearly highlighted that people are happy, either wrap them up into a few high-level questions or drop them altogether. Uninteresting questions create tedium and crowd out the potentially interesting bits. And don't assume the year-on-year trend will tell you for sure if there's been an improvement – some of the directors could well have forgotten how they scored it last year!

Simply giving the scores: it's boring. Or pages and pages of comments, which is exhausting. Beware the use of averages – they can hide a lot of variation in views, while the very fact that there is variation can be meaningful in itself. And that one low-score outlier could well be just as important (and possibly more important) than the majority view.

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