

---

## Quality in the Board of Directors: How to Measure Board Performance?

Marcos E. J. Bertin

Director of Corporate Governance Division, Voyer International

---

### Introduction

In today's highly competitive global markets, to have good management is essential but not enough. Organizations also need good governance.

Today there is a strong tendency worldwide to consider a professional Board of Directors as a key factor in company success

### What the Board should do?

Boards should ensure the strategic guidance of the company and the effective monitoring of management.

One of the major board responsibilities is the interest alignment of all the company stakeholders, including the following:

1. Shareholders and investors
2. Board
3. Management
4. Customers
5. Personnel
6. Suppliers
7. Society

What makes a good Board. It is independent of management and well balanced in terms of experience and expertise of its members. Board members have:

- \* A solid formation and lengthy experience in the different areas of the administration of companies and profound knowledge of the threats and opportunities of the environment
- \* Clearly outlined functions and roles

- \* Conscience of the importance of customer loyalty and their degree of satisfaction or dissatisfaction
- \* Updated knowledge of regionalization and globalization of the business
- \* Knowledge of information technology
- \* Knowledge of law and finance
- \* Ability to work effectively in a team
- \* A personality that earns the respect of peers and the Executive Management and its ability to challenge Executive Management avoiding confrontation and refraining from invading their functions.

The Board must help the executives to think “nose in fingers out”. It is the key to the success of a director and defines the fundamental difference between “governance” (term used to describe board best practices) and “management”.

### Governance and Quality

Quality is a Board subject. The National Quality Awards, i.e. Malcolm Balridge in the U.S., European Foundation for Quality Management in the European Union and National Quality Awards in many other countries such as Brazil and Argentina, propose criteria that allow for integral self-evaluation of the companies, the management, the different processes involved, and results in terms of customers, shareholders, personnel, suppliers and society. These are, clearly, models for competitiveness and of great use



in guiding the action of the Boards of Directors.

In spite of the key role of the Board in the results of the company, the criteria for performance excellence of Boards it just beginning to be timidly incorporated to the National Quality Awards.

### ***How to Measure Board Performance?***

Two academicians members of “The Corporate Governance- Quality in the Board of Directors Project Team of the International Academy for Quality” developed a method for the evaluation of the board performance. Seven criteria were identified as follows:

1. Mission and Principles
2. Structure
3. Operating procedures
4. Board and Management
5. Board and shareholders
6. Board and Community
7. Board Contributions

The presentation includes the board best practices to be considered for each one of the seven criteria as well as an example on how to measure the performance using an Evaluation Matrix.

### **Conclusion**

Professional Board evaluations will contribute to:

- Improve Board performance
- Improve results and shareholder value
- Improve company risk and crisis management
- Ensure legal compliance (law and spirit)
- Ensure compliance with basic rights of shareholders
- Provide better information to shareholders and community.



### ***References***

Bertin, M.E.J. “Quality on the Board of Directors”. International Conference on Quality Proceedings, JUSE October 15-18, 1996, Yokohama, Japan

Bertin, M.E.J. “Quality in the Board Room” The Best on Quality, IAQ Book Series, Vol. 9, page 149-56, ASQ Quality Press, 1998

Bertin, M.E.J. “New Trends in the Governance of Organizations” AQC, 53rd Annual Congress Proceedings, 1999, Anaheim, CA, USA

Bertin, M.E.J. “The impact of Corporate Governance in the Quality of Management” 57th AQC, May 2003, Kansas, USA

Bertin, M.E.J. “The impact of an effective Board of Directors in company results, 48th EOQ Congress, Moscow, 2004

Strachan, H & Bertin M.E.J. “An Approach to the Evaluation of a Board of Directors” AQC World Conference on Quality and Improvement, 2005, Seattle, WA, USA