SETTING KEY PERFORMANCE INDICATORS FOR YOUR BOARD
AGENDA

- The Context of the Board
- The Board and Organisational Performance
- The Board and Corporate Governance
- Putting it all together
1. THE CONTEXT OF THE BOARD

- What are we trying to measure and Why?
- What are performance indicators?
- What should the focus of the Board be?
KEY PERFORMANCE INDICATORS

**ARE**

- Indicators
- Indicative
- Flexible
- Output Orientated
- Means to an End

**ARE NOT**

- Measures
- Definitive
- Rigid
- Input Orientated
- Ends in Themselves
FUNDAMENTAL QUESTIONS

1. WHAT IS THE ROLE OF OUR BOARD?
2. WHAT INFORMATION DO WE NEED TO FULFILL OUR ROLE?
3. WHAT IS THIS INFORMATION TELLING US?
4. WHAT DO WE NEED TO DO ABOUT IT?
5. HOW WILL THIS BE DONE?
6. HOW WILL WE KNOW WHEN IT HAS BEEN DONE?
CLARIFYING THE ROLE OF THE BOARD
The Tricker Model

CONFORMANCE

- Providing Accountability

PERFORMANCE

- Strategy Formulation

Outward Looking

- Monitoring & Supervising

Inward Looking

- Past & Present Oriented

Future Oriented

- Policy Making
CLARIFYING THE ROLE OF THE BOARD
The Tricker Model

CONFORMANCE
- Providing Accountability
- Monitoring & Supervising

PERFORMANCE
- Strategy Formulation
- Policy Making

Outward Looking
- Past & Present Oriented

Inward Looking
- Future Oriented
WHAT INFORMATION DO WE NEED?

**CONFORMANCE**
- Providing Accountability
- Monitoring & Supervising

**PERFORMANCE**
- Strategy Formulation
- Policy Making

**IN TERMS OF**...

**ORGANISATIONAL FOCUS**
- How is the Organisation performing?

**CORPORATE GOVERNANCE FOCUS**
- How well does the Board itself function?
2. THE BOARD AND ORGANISATIONAL PERFORMANCE

- What framework can we use to evaluate Organisational Performance?
- What is our role in this evaluation?
- What is indicative of “good” performance?
THE BALANCED SCORECARD

“How do customers see us?”

Customer Perspective
Goals | Measures

“How can we continue to improve and add value?”

Innovation and Learning Perspective
Goals | Measures

“How do we look to “shareholders”?”

Financial Perspective
Goals | Measures

“What must we excel at?”

Internal Business Perspective
Goals | Measures
# APPLYING THE BALANCED SCORECARD IN THE BOARDROOM

## Financial Indicators
- Return on Assets
- Cash flow
- Project Profitability
- Sales Forecasts
- Sales Backlogs
- Gross Margin
- Sales Growth

## Customer Indicators
- Customer Survey
- Customer Ranking
- Market Share
- On-time delivery
- Repeat Business

## Internal Business Indicators
- Time spent with prospective customers
- Tender success rate
- Safety/Accident rate
- Length of project lifecycle
- Employee productivity
- Actual introduction schedule vs. plan

## Innovation and Learning Indicators
- % revenue from new products / services
- Staff attitude survey
- Number of employee suggestions
- Cycle time
- Yields by process
- New product/service introduction vs. competition
- % of products/services that equal 80% of sales
3. THE BOARD AND CORPORATE GOVERNANCE

- What framework can we use to evaluate Board Performance?
- What is our role in this evaluation?
- What is indicative of “good” performance?
IDENTIFYING CORPORATE GOVERNANCE PRIORITIES

METHODOLOGIES FOR ASSESSING BOARD PERFORMANCE

FOUR KEY ISSUES
- Board Discussion on role, information, objectives & improvements

CHAT WITH THE CHAIRMAN
- Individual Board Members interviewed by the Chairman on: achievements to date, future achievements, assessment of CEO & role of the Chairman

QUESTIONNAIRE (YES/NO)
- Board Members complete questionnaire (yes/no)

QUESTIONNAIRE (GRADINGS)
- Board Members complete questionnaire (score responses)

WRITTEN QUESTIONNAIRE
- Board Members complete open-ended questionnaire
# EXAMPLES OF CORPORATE GOVERNANCE INDICATORS

## STRUCTURE & ROLE
- Size of the Board
- Experience & expertise of Directors
- Director Succession Plan
- Number & role of Sub-Committees

## MEETING PROCESSES
- Effectiveness of Agenda
- Record of proceedings & decisions
- Access to minutes
- Distribution of Board papers
- Participation of Directors
- How meetings are conducted

## QUALITY OF INFORMATION
- Right information provided to Board members
- Information circulated at the right time
- Amount of information adequate
- Timeliness of information
DUTIES & RESPONSIBILITIES

- Access of Board members to the CEO, Management, Staff
- Networking of Board members on behalf of the Organisation
- Procedures to identify & deal with Conflicts of Interest

TEAMWORK & PROCESSES

- Relations of Board members with Management
- Relations of Board members with each other
- Involvement of Board members in Committees
- Sharing of information

COMMITTEE STRUCTURES

- Number of Committees
- Types of Committees
- Membership of Committees
- Effectiveness of Committees
- Roles and purpose of Committees
4. PUTTING IT ALL TOGETHER

- What questions do we need to ask?
- What processes can we adopt to formulate KPI’s?
- How do we monitor our performance over time?
BUILDING A BALANCED SCORECARD

**PHASE 1**
Introduce Balanced Scorecard

**PHASE 2**
Evaluate Current Strategy

**PHASE 3**
Identify Performance Targets

**PHASE 4**
Construct Balanced Scorecard
FORMULATING CORPORATE GOVERNANCE INDICATORS

**Phase 1**
Introduction & commitment

**Phase 2**
Determining criteria for evaluation

**Phase 3**
Collection and analysis of results

**Phase 4**
Identifying implications

**Phase 5**
Agreeing priorities and action

- **Presentation to the Board**
- **Design & Administer Board member Questionnaires**
- **Analyze Questionnaire Responses**
- **Board Discussion**
- **Formulate Performance Indicators**