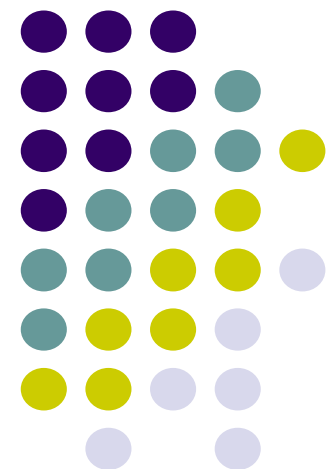# SETTING
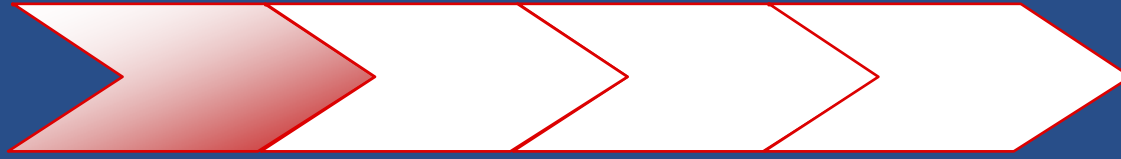# KEY PERFORMANCE
INDICATORS
FOR YOUR BOARD

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
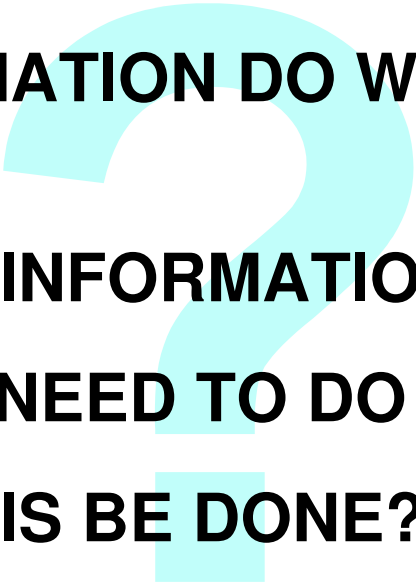- Means to an End

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	**PERFORMANCE**
Outward Looking	**Providing Accountability**	**Strategy Formulation**
Inward Looking	**Monitoring & Supervising**	**Policy Making**
	Past & Present Oriented	**Future Oriented**

CLARIFYING THE ROLE OF THE BOARD
The Tricker Model

CONFORMANCE **PERFORMANCE**

Outward Looking

Providing Accountability

Strategy Formulation

Inward Looking

Monitoring & Supervising

Policy Making

Past & Present Oriented
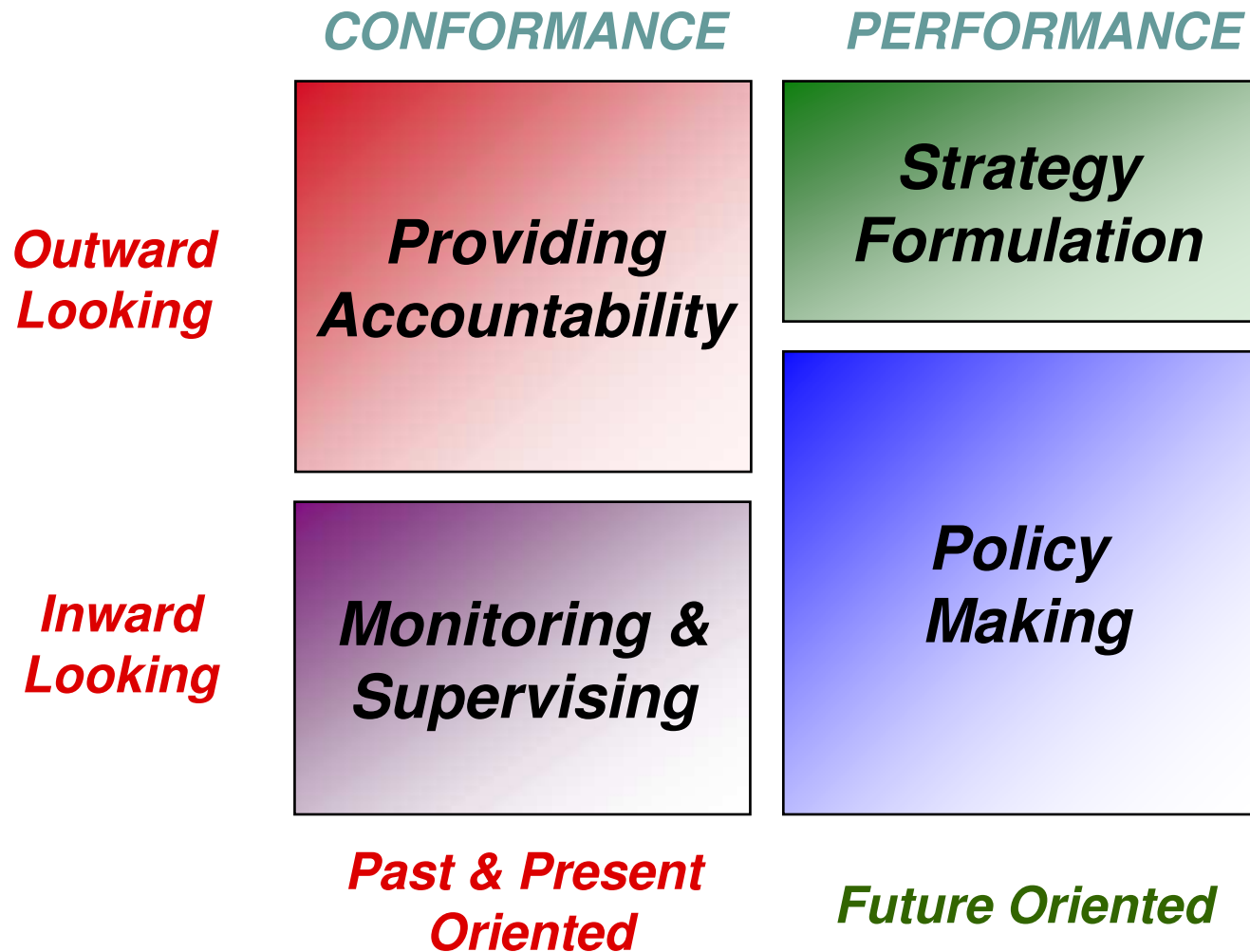
Future Oriented

WHAT INFORMATION DO WE NEED?

	CONFORMANCE	PERFORMANCE
Outward Looking	Providing Accountability	Strategy Formulation
Inward Looking	Monitoring & Supervising	Policy Making
	Past & Present Oriented	**Future Oriented**

IN TERMS OF...

ORGANISATIONAL FOCUS

- How is the Organisation performing?

CORPORATE GOVERNANCE FOCUS

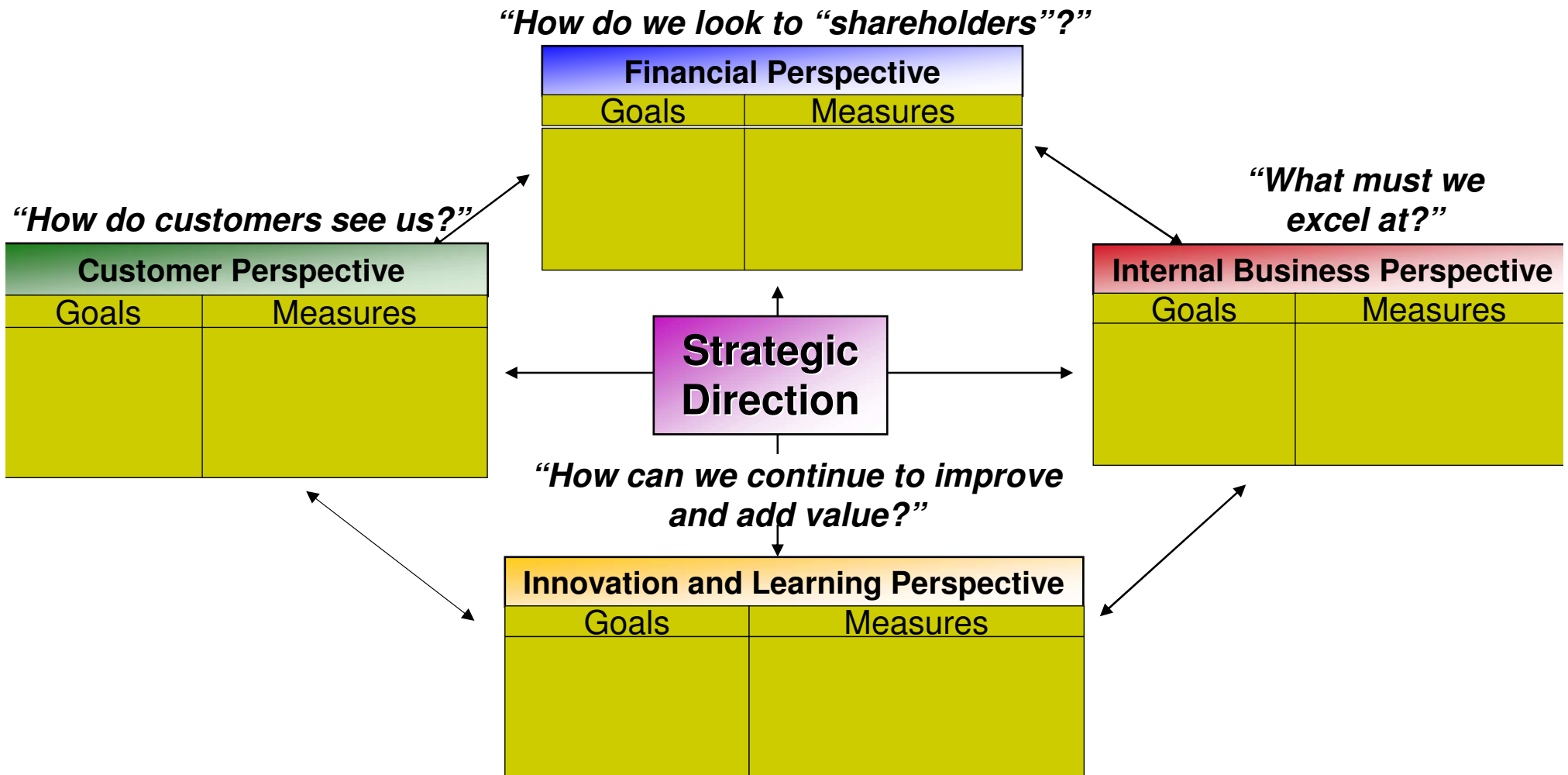- How well does the Board *itself* function?

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 we look to "shareholders"?"

Financial Perspective	
Goals	Measures

"How do customers see us?"

Customer Perspective	
Goals	Measures

"What must we excel at?"

Internal Business Perspective	
Goals	Measures

Strategic Direction

"How can we continue to improve and add value?"

Innovation and Learning 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	CHAT WITH THE CHAIRMAN	QUESTIONNAIRE (YES/NO)	QUESTIONNAIRE (GRADINGS)	WRITTEN QUESTIONNAIRE
• Board Discussion on role, information, objectives & improvements	• Individual Board Members interviewed by the Chairman on: achievements to date, future achievements, assessment of CEO & role of the Chairman	• Board Members complete questionnaire (yes/no)	• Board Members complete questionnaire (score responses)	• 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

EXAMPLES OF CORPORATE GOVERNANCE INDICATORS

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
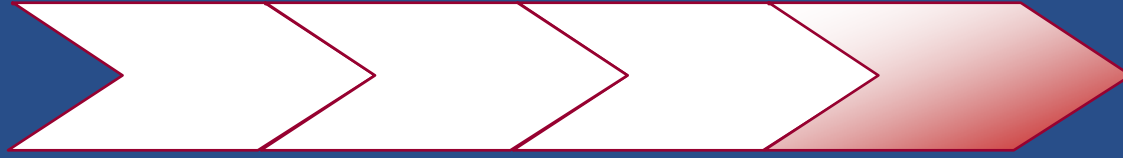
- **What questions do we need to ask?**

- **What processes can we adopt to formulate KPI's?**

- **How do we monitor our performance over time?**

BUILDING A BALANCED SCORECARD

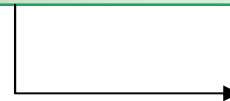| PHASE 1	PHASE 2	PHASE 3	PHASE 4

Introduce Balanced Scorecard

Evaluate Current Strategy

Identify Performance Targets

Construct Balanced Scorecard

FORMULATING CORPORATE GOVERNANCE INDICATORS

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Introduction & commitment	*Determining criteria for evaluation*	*Collection and analysis of results*	*Identifying implications*	*Agreeing priorities and action*

Presentation to the Board

Design & Administer Board member Questionnaires

Analyse Questionnaire Responses

Board Discussion

Formulate Performance Indicators