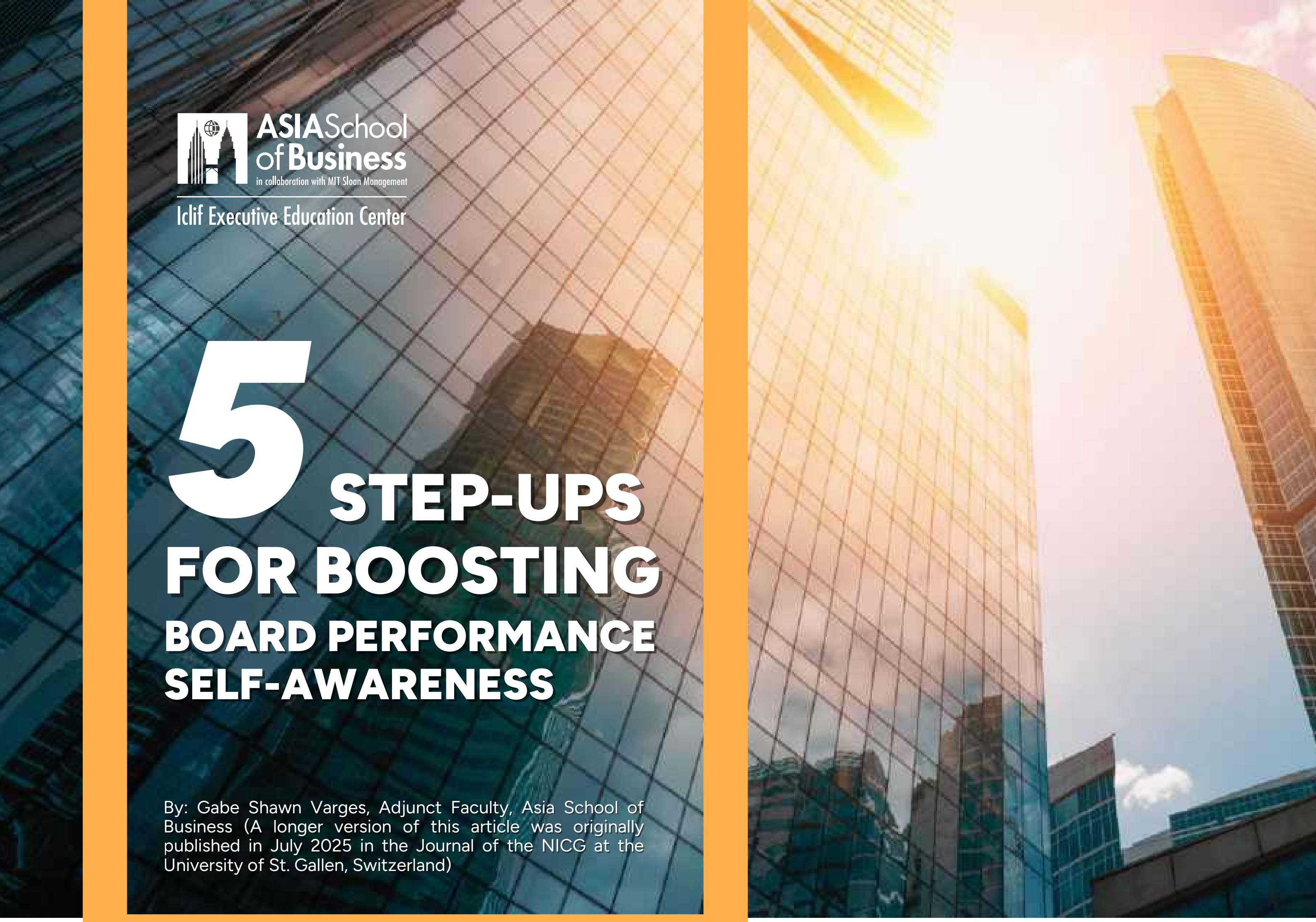

ASIA School of Business
in collaboration with MIT Sloan Management
Iclif Executive Education Center

5 STEP-UPS FOR BOOSTING BOARD PERFORMANCE SELF-AWARENESS

By: Gabe Shawn Varges, Adjunct Faculty, Asia School of Business (A longer version of this article was originally published in July 2025 in the Journal of the NICG at the University of St. Gallen, Switzerland)

When making investment decisions, investors tend to give primacy to who the CEO is and who may be the successor, not to who sits on the company's Board of Directors (the "Board"). Typically, the CEO is perceived as more determinative for company success than the Board or any of its members.[1]

At the same time, who serves on the Board is far from inconsequential. First, in many jurisdictions the Board plays a final or at least a critical role in selecting and dismissing the CEO. Wrong decisions here could lead to a low-achieving or even value-destroying CEO being chosen or tolerated.

Second, with the duty to provide oversight, the Board has to perform a daunting ongoing balancing act, often under shifting business conditions. It has to monitor the CEO closely enough to detect early any signs of underperformance or mismanagement. But it has to do this in a way that does not unduly curtail the CEO's operational latitude or stifle entrepreneurial initiative.

Third, in the task of looking after the company's long-term interests, Board members enjoy a privileged vantage point. This derives not simply from their independence, experience, or healthy distance from the company's daily ups-and-downs. It also relates to the often-longer office tenure of Board members compared to CEOs.[2]

Fourth, as the company's highest organ, the Board has ultimate accountability for company strategy and performance. When a company fails - even when the failure may be more attributable to actions by executives - investors and regulators are prone to ask, "Where was the Board?"[3] Paradoxically, when a company succeeds, few are those who applaud the Board's contributions.

Own-Work Cognition

Given these formidable Board accountabilities, investors and other stakeholders have an interest not only in how a company chooses its Board members. They also care about how well these Board members deliver once in office.

In light of this, it should also matter to stakeholders how self-aware a Board is of how good a job it is doing and how it evaluates its progress. Shortcomings in this regard could result in the Board recognizing too late a particular weakness or misjudging the overall quality of its work.

Yet this angle of corporate governance continues to be insufficiently explored. Post-mortems of company failures typically point to Board deficits such as inadequate oversight of management, misguided decisions, or poor Board composition. But the analyses rarely probe deeply enough into the degree of self-cognition by the Board of the caliber of its work or the robustness of the methodology it employs to monitor and appraise its actions and accomplishments. [4]

For example, following the 2019 WeWork scandal commentators criticized the Board for having failed to challenge the CEO sufficiently on his financial assumptions, to recognize his conflicts of interest, and to bring members with more diverse experiences onto its ranks.[5] But the analyses did not explore the extent of Board performance self-awareness or the nature and quality of the Board assessment process. *Might WeWork Board members have thought they were doing a good job?*

More rigorous approaches in this area can also aid a Board to deal timelier with internal differences. This can prevent disruptive outcomes such as in a real scenario playing out at the time of the writing of this article.[6] In this case, a Board member of a major company carried out in effect a "noisy withdrawal"[7], accusing fellow Board members of ignoring serious problems at the enterprise. Some reports suggest that personal interests may also be involved[8]. But once the dust settles, it will be revealing to see what the Board had been doing to identify and address any own-performance weakness areas.

The Five Step-Ups

The author's work with Boards around the world suggests five essential "step-ups" when the Board is looking to elevate its performance self-awareness and earnestly answer the question, *"How do we know how well we are doing?"*

1. Make the Sporadic Regular

Boards of regulated or quoted companies in many jurisdictions are required to conduct periodic own assessments. How often and in what depth can differ. Even where no such rule exists, a Board eager to enhance its own-work cognition recognizes the value of regular assessments.

In some instances, carrying out the exercise every two years suffices,[9] while in others a yearly process is *de rigueur*. Factors that support higher frequency include:

- A higher company risk profile
- Material new business challenges
- Changes in the company's strategic direction
- Frictions in the Board-Management relationship
- Significant alteration in Board composition such as a new Board Chair or investor representative
- Evidence of unresolved Board internal tensions
- Evidence of any Board members not carrying their own weight
- Company or market changes requiring new skills or experience on the Board
- Need to increase Management or Board succession readiness

One effective practice for bringing discipline to the self-assessment cycle is to define it in the Board's operational rules, multi-year plan, or similar Board document. This has the advantage of securing a place for assessments on the Board's calendar.

To bring more value, the timing of assessments is aligned with other major Board activities. For example, if the tenure of one or more Board members is expiring, it is sensible to hold the assessment well in advance of such expiration. The findings can help inform what qualities and expertise to look for in the search for a new Board member.

Another benefit of regularity in Board assessments is that it permits multi-year tracking of Board progress. In this regard, it is important for the Board to establish the means to preserve each year's findings, learnings, and methodology employed. This will ensure that the company's future Boards will also benefit from the insights.

2. Pivot to Active Performance Management

Board assessments traditionally have been positioned as an assurance check that the Board is meeting its legal and other prescribed obligations. Some call this a hygiene or

boundary condition test. But this approach detracts from the equally important question, *"How much added value is the Board's work generating?"*

Thus, a fundamental mindset shift is needed, from mere duty fulfillment to performance mindfulness. This requires a will by the Board to probe into the extent and quality of its work. But this shift is incomplete if limited to the formal Board assessments carried out annually or with other frequency.

Here the Board can learn from the discipline of performance management long established in human resources practice. This discipline itself is undergoing considerable change. Whereas earlier it was acceptable practice to assess an employee yearly or semi-annually, today it is generally recognized that better results can be achieved with more active performance management.

Among other things, this involves pursuing more conscious engagement with the employee and not postponing comments or suggestions for improvement to some future point. Ideally, such input is delivered in real time, such as immediately after a presentation, project delivery, or other event displaying the employee's prowess and performance. Such early steering helps the employee know where to course correct in his or her way of working.

Board members, of course, are not employees. Care has to be exercised to make the process in content and tone appropriate for a Board context. Yet the insight that assessing performance is not an event but an active, ongoing process, transfers well to Boards.

Practically, this has two implications. First, it means that the Board needs to reserve time at the end of or immediately following each Board meeting to reflect on how well it did at such meeting. This is different from recapping the agenda items or action steps from the meeting. Instead, it is a session focused on the Board's own performance.

To promote more candid exchange, the above is done at a Board-only session, without Management presence. It is helpful to pose each time a few standard questions to guide discussion, such as *"How did we do compared to our last Board meeting?", "Where were we insufficiently critical?", "In which way were we helpful/not helpful to Management?"*.

Second, active performance management at the Board level also means recognizing the special role of Board leaders and of all Board members, as described in points 4 and 5 below.

3. Look Beyond Collective Board Performance

Of all the appellations one may attach to a Board, there is probably none more fitting than "team". The Board is a team and, to be effective, it has to work collaboratively as such. Thus, there is considerable value in probing the collective Board awareness of its performance and evaluating the Board's work as a whole.

But a Board also consists of single members. Each has a duty to think and carry out his or her responsibilities independently. Each has also to contribute singularly. In addition, a Board has sub-teams in the form of committees. If performance is to be thoroughly evaluated, it has to be measured also at each of these levels.

With regard to committees, Boards today are increasingly including questions in the periodic

Board assessments exploring the dynamics and quality of work in committees. Here a fitting methodology is also essential. For example, it is helpful to distinguish between how the members of a committee view the committee's performance and how those outside that committee perceive it.

It is also of value to assess a committee's interaction with the full Board and with other committees. For example, there are topics - such as data protection and privacy - that may cut across the work of the Audit, Risk, and Compensation & Human Resources committees. How well these committees share information and collaborate can impact overall Board effectiveness and merits appraisal.

Far more challenging for many Boards, however, is addressing the topic of individual Board member performance. The hesitancy is understandable. Given the senior composition of a Board and the collegial relationship among its members, there can be a tendency to simply count on each member's sense of duty to deliver. From this angle, any evaluation of individual performance may be thought of as superfluous or even inappropriate. It may also be believed that the contributions of individual Board members will anyway tend to equalize in the long run.

But similar to employees, the performance of individual Board members in reality can vary considerably. For one, there are often notable differences in the degree of energy and time members devote to the task.

One factor that can affect the time spent by a Board member is the number of additional mandates he or she exercises, whether on another Board or as an executive at another enterprise. In the market there is growing appreciation that an otherwise brilliant prospective addition to a Board may make less sense if the Board will not be able to reliably count on such person's full participation and contribution.

Competing external time demands can also adversely affect a Board member's willingness to volunteer for tasks, to engage in "in-between-meetings work", and to contribute to the work of committees. The latter has been on the rise in recent years.[10]

The above also includes the quality of preparation for Board meetings. For example, it is not infrequent that Board evaluations reveal one or more members perceived by peers as skimping in the advance study of Board meeting materials.

Of course, there can also be wide variance in the quality of individual Board member performance in the boardroom itself. Some members shine more than others in asking the right questions of Management, in distilling insights, in generating ideas, and in contributing to fashioning solutions for the company's central challenges.

The above-mentioned differences make a compelling case for assessing individual Board member performance.[11] After all, the contributions of each individual member can substantially enhance or detract from the overall Board performance.

Practically, this means incorporating in Board evaluations a safe means for members to provide their frank views on the individual contributions of their peers. Another technique is a self-assessment by each Board member. The latter encourages personal reflection and a sense of ownership for one's work, but it comes up short on objectivity. More importantly - different from peer input - self-assessments do not help a Board member identify any personal performance blind spots.

4. Recognize the Special Duty of Board Leaders

In promoting Board self-awareness and on-going appraisal of its work, Board leaders play a special role.

First, the Board Chair bears the main responsibility for setting the right tone. This may include persuading unconvinced Board members of the utility of Board feedback sessions and periodic formal assessments.

Second, as head of the Board, the Chair works to gain and maintain an overview of the Board's performance. He or she remains vigilant of any tensions or deficits - whether at the Board, committee, or individual performance level - and acts to timely address them. This may include holding targeted performance discussions with individual Board members. These are most productive when they are constructive in tone but do not shy from pointing to areas where the individual can be more effective.

Third, the Board Chair ensures that suitable formal Board performance assessments are held in accordance with the agreed cycle. He or she also helps shape decisions on the methodology to use and on the potential use of an independent party to facilitate or carry out the assessment.[12]

Fourth, the Board Chair guides the Board discussion on drawing lessons from the assessments and ensures they lead to action. Without visible follow-through, the process can quickly lose credibility. In the case of an individual Board member who continues to underperform despite being granted multiple opportunities to improve, the Chair may face the arduous task of recommending a resignation.

Where a Board has a Vice-Chair or a Lead Independent Director such person may share some of the responsibilities outlined above. At minimum, those in these roles step up when the Chair is not carrying out the performance management responsibilities satisfactorily. The Vice-Chair or Lead Independent Director offers alternative voice, one that is also useful for ensuring that the Board Chair's own performance is also subjected to assessment. In some Boards, the lead for Board assessments may lie with the Chair of the Nominations Committee.

Committee chairs similarly have special responsibilities. Their focus is committee-level performance. They work closely with the Board Chair to align assessment approaches and serve as conduits between committee-level and full Board improvement actions.

5. Bake into the Board Culture

The efforts of Board leaders to elevate Board performance cognition and active performance management constitute a necessary but, alone, an insufficient condition. Ultimately, staying focused on continuous improvement requires contributions from each Board member.

The contributions by each Board member break down into four main action areas:

- Accepting accountability for one's own performance and improvement
- Supporting fellow Board members with their own development, such as by providing timely constructive bilateral feedback
- Vigilance that Board appraisals also include confidential means to provide input on the leadership of the Board Chair and the chairs of each committee
- Supporting an ethos of open dialogue within the Board where members feel supported when pointing to where the Board could do better

Together, the above demonstrate why active performance management can best be achieved when it is viewed as a shared responsibility to be built into the Board culture.

Practically, the embedding process begins with an explicit articulation of continuous self-improvement as a Board value. Some Boards now include such commitment in their charters or other internal Board principles.

Promoting a Board learning culture also requires transparency. While individual feedback is confidential, the assessment process and cumulative outcomes are shared within and owned by the entire Board.

[12]

Cultural embedding takes time and consistency. It requires regular reinforcement through Board discussions, development opportunities, and leadership messaging. But when successfully established, a culture of self-examination creates a foundation for the Board's continuous growth.

Conclusion: From Self-Awareness to Sustained Board Excellence

By implementing the five "Step-Ups" suggested above, a Board can stimulate a mindset shift in support of Board excellence. This includes moving from the notion of Board "duty fulfillment", to "performance self-awareness", and ultimately to "performance optimization".

Board leaders, particularly the Chair, play a central role in this effort. They view assessment as an ongoing responsibility, not a periodic event. This means continually monitoring Board progress, providing real-time feedback, and addressing issues as they arise rather than waiting for formal assessment cycles.

In managing Board performance, multi-layer assessments bring the most value. They provide a richer picture of how the Board is doing and help with the early identification of improvement opportunities. This approach recognizes that different issues may require different interventions - some at the individual level, others at the committee level, and yet others at the full Board level.

With respect to individual Board member performance, better results are generated when multiple methods are used, including self-evaluation and peer input. This allows insights from different angles. Whatever the method, the assessment of the individual Board member encompasses his/her performance on the Board both in substantive areas (e.g., financial analysis, strategy development, risk assessment, etc.) and in behavioral areas (e.g., constructive challenging, collaborating, managing conflict, etc).

The journey to higher performance self-awareness - a kind of metacognitive understanding of how the Board learns and improves - is not instant. It moves from sporadic to regular assessments, from passive to active performance management, from a collective to a multi-tiered focus, and from a leaders-only to a shared-accountability mindset.

Endnote

[1] The influence of the CEO on corporate outcomes has long interested scholars and investors. A CEO's vision, convictions, leadership strength, and track record are often seen as indicators for the chances of a company accomplishing growth, profitability, or other goals. For example, in the area of sustainability one study suggests that some 30% of variances in company performance in this area can be attributed to the CEO. Academy of Management Discoveries (AOM Journals, 2022, "How Much Influence Do CEOs Have on Company Actions and Outcomes? The Example of Corporate Social Responsibility").

[2] It is possible that the difference between these tenures may be growing in some countries as the average number of years a CEO remains in office shortens. One global study suggests that 70% of CEOs do not plan to remain in their roles for more than 5 years. PWC "28th Annual Global CEO Survey". Among the world's largest public companies, a 2018 study found an average of just under 5 years. See "CEO Success Study", Strategy &, 2018. Last year, 43 CEOs of quoted companies across the globe lasted less than three years, a new record. See, Russell Reynolds, "2024 Global CEO Turnover Report ". In Switzerland, the median tenure of Board members in SMI companies having served between 2022-2024 was 10 years, while for CEOs it was 7 years. Of the 20 SMI companies, 11 CEOs left their post in 2023-2024 (including 2 ad interim CEOs), compared to an annual average of 2.5 CEOs in the prior 9 years. Source: HCM International Data. The author would like to thank Kateryna Bulda of HCM for her contribution in providing the above Swiss data and the data on number of Board member mandates shown on footnote 10 below.

[3] This has been evident in various cases of corporate wrongdoing or financial failure across the world, such as in the Wells Fargo cross-selling scandal in 2016. See, e.g., L. Zingales, "Where was the Wells Fargo Board?", Bloomberg Online 20.11.2016. A recent example in Switzerland is the collapse of Credit Suisse in 2022. The regulator's report attributed the collapse to multiple factors, including instability brought about by frequent changes at the Board level. In the public, however, some observers were more critical of the Board and its Chair. See, e.g., «Die Crédit Suisse hätte nicht untergehen müssen», Tagesanzeiger, 16.3.2025. See also H. Hau et al., "Insufficient Supervisory Board Competence as a Risk Factor for Banks", Center for Economic Policy Research, 10.6.2024, available at https://cepr.org/voxeu/columns/insufficient-supervisory-board-competence-risk-factor-banks.

[4] There is a considerable volume of writings on the importance of Board self-assessments and how to conduct them. But there is a dearth of empirical studies on the quality and outcome of such assessments in practice, both in the context of corporate mishaps and success stories. Furthermore, there is less emphasis on the notion of stimulating the Board's cognitive awareness, such as by parsing and deconstructing the multiple strands of performance within the Board and embracing active performance management.

[5] See e.g., D. Byrne, "What Exactly Happened at WeWork", Corporate Governance Institute, available at https://www.thecorporategovernanceinstitute.com/insights/case-studies/what-exactly-happened-to-wework/?srsltid=AfmBOoqc4StxVPqz4SXMGlGCgVmqlusB9K0QAjygR3as24W4YhV67abT, Y. Cheng and S. Maiden, "WeWork: But Does the Corporate Governance Work?", Darden School Case Study, University of Virginia, 30.4.2021.

[6] The case involves the U.S. motorcycle maker, Harley-Davidson.See, "The Boardroom Eruption Over the Future of Harley-Davidson", Wall Street Journal, 18.4.2025. The matter coincides with the company announcing search for a new CEO. See "CEO Process Confirmed", PRNewswire 8.4.2025.

[7] The term is being used in extrapolated form. It derives from the option a lawyer has under the U.S. Sarbanes Oxley Act to withdraw from representing a client when he or she believes the client is committing or is about to commit wrongdoing.

[8] The Board member represents an investor wishing a different CEO than the other Board members. See, "Harley-Davidson board member resigns, cites 'grave concerns' about company", Reuters 10.4.2025.

[9] Some Boards hold a more rigorous assessment every two years and a light version yearly.

[10] See, G.S. Varges, "The Adaptive Borders of the Compensation Committee" in NICG Journal 23/2 at p.30.

[11] One financial regulator specifically requires assessment also of individual Board member performance. Australian Prudential Authority SPS 510, Standard 21 (2024).

[12] Multiple options exist for the design and execution of the Board assessment. This includes making use of an external independent expert for the development of the methodology, for carrying out and moderating the process, and/or for independently assessing. Whatever the approach, it is critical to provide anonymous, confidential means for Board members to provide their input and to dedicate enough time for Board self-reflection on the results. This should be done before moving to agreeing on improvement measures where needed. See e.g., G. S. Varges, «Board Assessments: Von «Compliance-Übung» zu Leistungsbeurteilung» in Schulthess, Recht Relevant für Verwaltungsräte», 3.2020. One financial regulator is considering requiring that at least every three years the assessment be carried out by an independent third-party assessor. Australian Prudential Authority, Corporate Review (proposal), March 2025.

Asia School of Business (DU046(W))
Iclif Executive Education Center
ASB Academic, No 11, Jalan Dato' Onn, 50480 Kuala Lumpur
Email: ExecEd@asb.edu.my

exec.asb.edu.my

asbiclif @asb.iclif asbiclif asb iclif

5 STEP-UPS FOR BOOSTING BOARD PERFORMANCE SELF-AWARENESS