A Conversation with Alan Kaplan: Regular Board Evaluations Foster Steady Strides in Governance

Alan Kaplan, founder and CEO of executive search and board advisory firm Kaplan Partners, has advice for board members when it comes to evaluations: Fear not. In recent Directors Briefing interview, he outlined why evaluations are an essential part of good governance, and should not be viewed as a threat to incumbent directors. Excerpts follow.

Q. What is the purpose of a board evaluation?

AK. The goal is to highlight areas for improvement for the board as a whole and for directors. It's important to understand that doing an evaluation doesn't mean you're trying to get rid of people. Instead, you're trying to create continual forward momentum for governing the bank effectively.

Q. How often should evaluations occur, and what's involved?

AK. It's a good practice to do some level of evaluation every year. I see three approaches, or levels, in the evaluation process. Level 1 is a fundamental, general evaluation where you assess the board overall and how it's functioning. This type of evaluation asks questions such as, Do we have the right committee structure? Is the board talking about the right issues?

Evaluations can help ensure that boards have relevant, valuable skills to advise CEO and leadership.

Level 2 involves an element of self-assessment, where the director asks, What are my own contributions and performance? Self-assessments also help the board take a snapshot of the collective skills of those seated in the boardroom.

Then there's Level 3, which is the holy grail—the confidential peer evaluation. This approach allows directors to give confidential feedback on their fellow board members. Any of these evaluations can be facilitated by an outside adviser, and doing so is particularly important with peer evaluations.

Self-assessments can stand alone, but if you're doing peer evaluations, they're generally combined with self-assessments.

Q. What can you say to help boards overcome any hesitation they may have about evaluations?

AK. The goal isn't to help banks cull the herd. It's to help them ensure that the board has skills that are relevant, current, and valuable so they can provide the strategic advice the CEO and leadership require.

Q. What kind of outcomes do you typically see?

AK. An important challenge for boards is to make sure they have skills to match those that are needed today. Banks are striving to reflect factors like growth, evolving business models, regulatory requirements, and changing communities. Evaluations can help them identify needs. An evaluation can also identify areas where directors need updated training or refreshers in some aspects of bank operations. Above all, evaluations provide a valuable reminder that there's no right to serve—it's a privilege.