

Board evaluations: Leveraging technology and best practices for greater impact



Across organizations, there is an ever-changing list of strategic priorities demanding the attention of boards and executives. These priorities are emerging during an era of fast paced technological advancements, shifting market dynamics, and evolving geopolitical conditions. Deloitte research shows that directors seek more robust boardroom discussions on mission-critical topics such as talent,¹ sustainability,² and generative AI,³ to name a few. However, finding more time for these discussions often isn't feasible.

A board evaluation, whether internal or external, provides directors with the opportunity to reflect on the board's performance and identify ways to optimize its time and strengthen decision-making processes. As more boards embark on evaluations, several leading practices are emerging in the region, including the exploration of technology solutions and Generative AI to further unlock value in the process.



Embracing technology

Deloitte research shows that 66%⁴ of board members and executives cite productivity and efficiency enhancement as a primary reason organizations are leveraging AI. It is no surprise that the exploration of AI to support board operations, including board evaluations, is a topic of interest to board members, as well as secretariat and governance teams. Use cases in this space demonstrate how Generative AI can transform the use of existing digital tools and platforms in a number of ways. For example: streamlining workflows and automating routine tasks, the provision of real-time data analysis, deploying aspect-based sentiment analysis to highlight areas of strength, and summarization capabilities to generate concise reports. While there are opportunities to be harnessed, there

are also key risks such as bias, ethics, and confidentiality to be considered and managed carefully in the context of the board evaluation process.



Forward-looking lens

Leading boards evaluate their performance not only retrospectively but also prospectively. They consider the evolving legal and regulatory landscape, business model, and future strategy of the organization, challenging whether their board and committee practices are not only fit for purpose now but also positioned for the future. While the board may have served the organization well up to this point, does it truly align with the organization's future aspirations? Examining board performance through this lens helps identify necessary changes to ensure effective oversight of the organization in the years to come. For example, shifting the focus on the agenda to increase time on priority matters, seeking more (or less) reporting on certain areas, and refreshing the committee structures to support efficient coverage of topics. Embracing detailed analysis of the board's composition in this context is increasingly common to gauge skillsets for future appointments or identify areas to enhance collective knowledge.



Continuous improvement

A board evaluation doesn't have to follow a standard annual cycle; the process can include regular touchpoints for continuous improvement. One illustrative practice includes the board, or nomination committee, regularly reviewing evaluation results and action plans to track progress. Another practice involves holding informal

discussions on performance at the end of board meetings whereby directors reflect on the quality of the meeting and any potential enhancements. Further, a number of boards, with support from their secretariat and governance teams, are looking at ways to collect and monitor performance data on a regular basis. The use of Generative AI can help enable this with efficient interrogation, analysis, and aggregation of data to produce real-time insights. Opting for these approaches allows for a more innovative and iterative approach to the process.

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Critical success factors

No matter where a board is in its evaluation journey, three critical factors are essential for achieving a value-adding board evaluation:

1.Context

No two boards are the same, and the evaluation should be tailored to ensure it is proportionate and appropriate. Key factors to consider include the company's lifecycle, organizational structure, industry, regulatory environment, and shareholder relations.

2. Communication

Collective buy-in from all members should be achieved at the outset to encourage engagement and openness. The evaluator should possess excellent communication skills and emotional intelligence to address the more sensitive areas of board effectiveness.

3. Conclusion

Often, the weakest link in the evaluation process is the final stage, when the results of the review need to be considered and the outcomes agreed upon. Without a clear action plan and mechanism to track the results, the board will gain little value from the process. The nomination committee is usually critical in this stage, overseeing the implementation.

As boards navigate the complexities of the current business environment, it is a good time to reflect on their performance and consider how they may need to evolve to effectively oversee the organizations they govern. The board evaluation process provides an opportunity to further strengthen the board's operations, ensuring it is focused on the right areas at the right time, while optimizing both board and executive time.

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Embracing innovation, not only in the board evaluation process but also in other governance practices, opens up new possibilities for enhancing and modernizing decision-making within organizations. ●

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Endnotes

1. Jo Iwasaki, Karen Edelman, and Yasmine Chahed, "Time to rethink talent in the boardroom," Deloitte Insights, Jan. 21, 2024.
2. Anna Marks, Jennifer Steinmann, Jo Iwasaki, Karen Edelman, and Yasmine Chahed, "Climate change governance and the board chair of the future: Accelerating the transition toward a low-carbon future," Deloitte Insights, March 24, 2024.
3. Lara Abrash, Prof. Dr. Arno Probst, and Karen Edelman, "Governance of AI: A critical imperative for today's boards," Deloitte Insights, Oct. 7, 2024.
4. Ibid.