

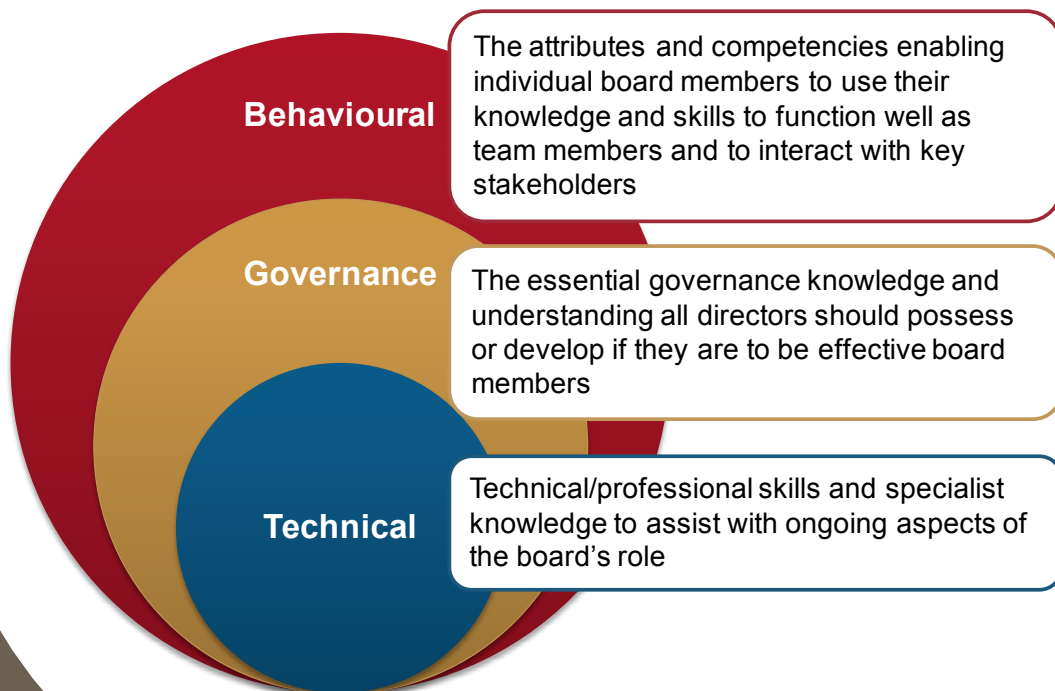
Board Skills Analysis

What competencies should directors possess to be effective? Unfortunately, there is no simple answer. It depends on a number of factors such as the organisation's industry (e.g., credit union, not-for-profit, mining), current and anticipated challenges, the regulatory environment, the organisation's business or operational model, required roles of the board, and the capabilities of the senior management team.

As an adjunct to its leading practice board and director evaluation processes, Effective Governance (eG) has developed a skills analysis framework adaptable to any board. This framework considers:

- the competencies and skills considered necessary for the board as a whole to possess to fulfil its role and in light of the organisation's strategic direction;
- the competencies and skills the board considers each existing director to possess; and
- based on any gaps identified, the competencies and skills each new candidate should bring to the boardroom.

A skills analysis may be conducted as a standalone process or incorporated into a board evaluation process. The eG framework for skills analysis shown below, assesses director competencies in the three areas.



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Building a Gap Free Board

As US governance experts Jay Conger and Edward Lawler state:

“In staffing most boards, it is best to think of individuals contributing different pieces to the total picture that it takes to create an effective board.”

Current directors, as well as board candidates, should have well-developed behavioural competencies; be able to master the governance competencies; and add functional expertise in the form of their technical competencies to a board/management team. So, how do you build a gap-free board? The options are to replace board members to achieve the desired result or to train existing board members, if wholesale change is not possible or desirable.

In some organisations, the technical expertise a board member brings may not be regularly available to the management team and can be invaluable. Such specialist knowledge may outweigh any lack of governance knowledge on the part of the director—that is up to the individual board. What is important is that the board has an understanding of what competencies each director contributes to the board as a whole. This can be accomplished through a formal board skills analysis focusing on the technical, governance and behavioural competencies of individual directors.

An effective board is a well-balanced board and is one way to reduce the risk to an organisation and to individual board members from poor decisions made because of inadequate knowledge of corporate governance, strategy, compliance, risk management or the financial aspects vital to the viability of the organisation.

OUR OTHER SERVICES

- Board and Director Evaluation
- CEO Evaluation
- Strategy Facilitation
- Role of the Board
- Risk Management
- Board Reporting
- Governance Review/Advice



For further information on board skills analysis or any of our other services please contact us on: (07) 3510 8111 or advisors@effectivegovernance.com.au or visit our website www.effectivegovernance.com.au