

September 15, 2009

**Peer Evaluation: A Powerful Tool for Increasing Board Effectiveness**  
**By: Ron Matricaria**

Board member performance appraisals can be an excellent tool in helping to enhance the effectiveness of independent Directors.

Currently I am on two public boards that utilize an innovative process that asks each board member to evaluate the performance of each of their peers. Simple in design but powerful in its impact, my observation has been that on both boards and also one that I am aware uses it, having board members provide feedback to each other has made a positive impact on the quality of future board meetings leading to more effective governance.

In 1994 I was the Chairman and CEO of St Jude Medical, Inc., a medical device company. It quickly became apparent to me that it would be helpful to have a tool that would provide me with the opportunity to give fellow board members objective feedback on their board participation. Involving all board members in the process would add credibility to the feedback.

In 1994 just a few public companies were doing board evaluations and even fewer were doing board member evaluations. Dayton's (now Target) was an early innovator in board governance activities and was effectively using board member evaluations. Ken Mackie, who was then Chairman and CEO of Dayton's, was kind enough to share his approach and endorsement of the board member evaluation concept.

After reviewing the existing literature and discussing the concept with several consultants we settled on the engagement of Bob Muschewske, Ph.D, of Personnel Decisions International to help our board develop an evaluation process that we would all support.

The process we developed with Bob asks each member to respond to only two statements for each of their peers:

- I value the following contributions (board member) makes as a member of the board.
- I believe (board member) could provide additional value to the board by...

This simple format works much better than a predetermined checklist by giving board members the latitude to use their own words in describing the performance of their peers.

Bob's task was to assemble the feedback and prepare a letter for each member summarizing the feedback received from their peers. The process relies on the personal responsibility of each director to evaluate the feedback and do what is required to improve importance. One of the boards using this process elected to share each member's feedback with all other members making it a very transparent process. Doing this added significantly to the impact of the process. One director received feedback that he did not come to board meetings fully prepared. That information was now openly on the table. The process also had a positive impact by sending a clear signal to all members about the contributions that were valued. A number of directors were acknowledged to have financial acumen. Directors not receiving that feedback could see that this was a valued skill set and could evaluate whether they needed to upgrade their capability in a skill set critical to effectiveness as a board member.

Some boards resist an approach like this believing that it can disrupt the trust and collegiality required for effective board dynamics. My experience, however, is that board members are highly capable individuals who are motivated to be as effective as they can be in exercising their fiduciary responsibilities. I have never met a director who did not want to be perceived positively by peers. Seeing ourselves as others see us can broaden our perspective and help to uncover blind spots that may be interfering with our desire to be a good board member. I know that I have learned some things that have made me a better board member.

I recommend the process to all boards that have a serious commitment to continuous improvement. Good boards can add considerable value to management in maximizing shareholder value. Why not also put in place a process that leads to more effective governance by asking board members to add value to their peers by providing them with constructive feedback?

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