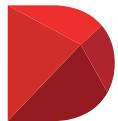




# Board Evaluations Technology Buyer's Guide

How to Choose the Optimal Solution for Director,  
Executive and Board Committee Evaluations



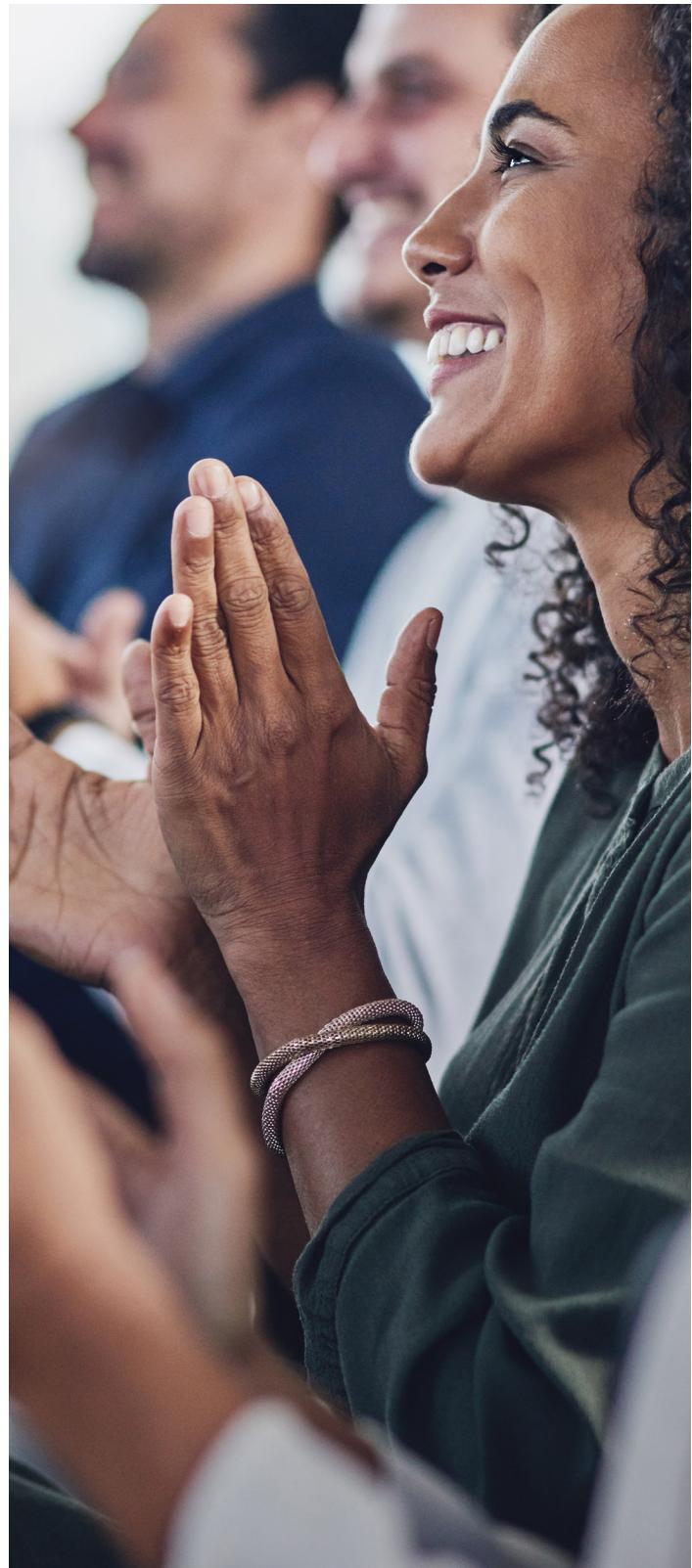
**Diligent**

Modern businesses are constantly looking to upgrade many of their existing operational and governance processes while also integrating new practices to constantly improve the performance of their boards. Among the processes that they have come to recognize as essential for enhanced modern governance is performing annual board assessments of board directors, key executives, committees and certain corporate initiatives. Such evaluations provide foundational information for empowering leaders with the insights and hard data needed to fuel the good governance that organizations require to thrive and endure.

Legal requirements also drive the need for a more effective and secure evaluations solution. The New York Stock Exchange (NYSE) requires that listed companies perform evaluations of directors and management, a policy likely to be adopted by other exchanges as the insistence on modern governance increases. The United Kingdom now requires that all companies perform evaluations. And as legal demands and corporate oversight become more consistent across the globe, it is likely that other countries will adopt such regulations.

Unfortunately, legacy evaluation solutions and even mailed-in self-assessments do not meet the necessary standards and security needed for boards of directors. To start, many survey tools used for evaluations run on poorly secured public platforms. That risk is heightened if a single employee retains the access credentials for the platform, especially if that person leaves the company. A manual approach using spreadsheets for tabulations might avoid most of the security problems, unless that file is inadvertently mis-sent or accessed maliciously, which is why spreadsheets are very prone to human error. Further complicating the process is how easily the tool allows a board administrator to create and administer evaluations. For example, if there is no easy process, the questionnaire can be inconsistent from year to year, resulting in bad data.

Those are all reason enough for organizations to demand a better solution. But as best-of-breed organizations actively use evaluations to enhance success, they are frustrated by legacy evaluation processes that are slow and time-consuming, with no easy way to aggregate the results to make them actionable and able to impact change. They also want to avoid other shortcomings of the older solutions, including the requirement for the corporate secretary or other staff to become competent users of survey design tools, the lack of clarity on who has completed the survey, insufficient data security and difficulties that arise in making the survey accessible.



## A Buyer's Checklist for Identifying the Optimal Evaluation Solution

If your board is experiencing any issues with existing solutions or has been unable to make use of evaluation results, it should be crystal clear that a next-generation evaluation solution is necessary. Many of the large number of organizations that are using older and ineffective solutions are looking at new systems to improve the process. Making the right choice is critical. The benefits of impactful and timely evaluations are substantial and can provide an organization with the insight and data that are necessary for elevating success. Evaluations, if used correctly, will provide your board with a competitive advantage and invaluable insight into areas that need improvement.

However, before diving in, the starting point must be to properly evaluate and select a product from a vendor that meets all the governance, security and legal requirements for your board.

The following are the key attributes to consider:

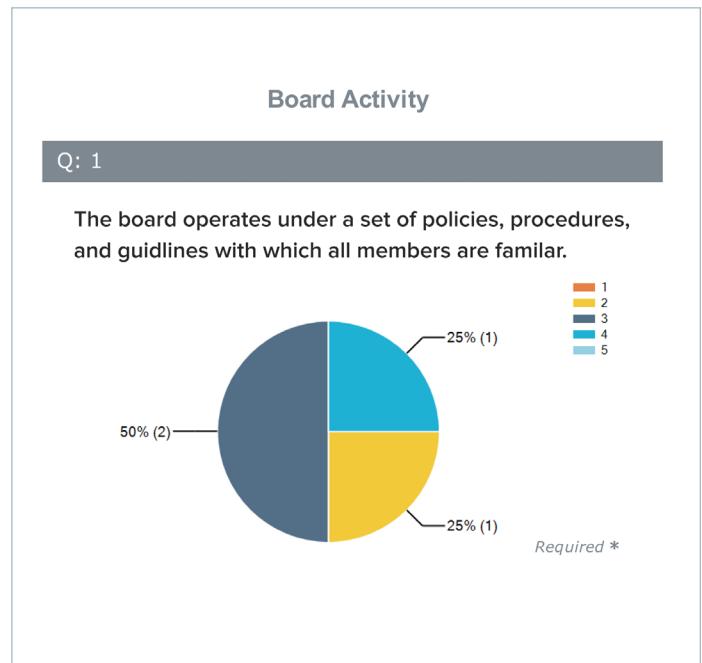
- The solution must meet the needs of corporate secretaries, directors, executives and the board.** The best solution should be designed and conceived with the unique needs of this audience front of mind. The tool should also have a very clear roadmap to evolve with the needs and requirements of global boards. The general survey solutions available on the market, whether free or paid, don't meet the needs of these individuals. Evaluation solutions must be an integral part of the director/executive experience, not a completely different environment. The right tool is built specifically for boards and can be integrated into your existing board portal solution instead of using a tool that you have to manipulate to meet minimum requirements set by the law or the board.
- A vendor must be trusted by this target market.** Corporate secretaries and directors/executives react much more positively to an evaluation solution from a vendor that has already earned their trust. Due to the prevalence of phishing cyberattacks, many high-powered professionals have learned that they should not click on links that take them to new or unknown domains, and so they will be loath to answer questions from a vendor or through a tool/website with which they are unfamiliar or about which they feel skeptical. The right vendor should be a leader in modern governance and provide a tool that can be trusted and useful for corporate secretaries, directors and executives, ensuring the self-assessment process always runs smoothly.

- The vendor must offer best-in-class customer service and support.** Senior staff expect a flawless experience when they need support or service. Few vendors focus closely on this market and, therefore, they are likely to lack a service/support organization that meets their needs. Directors should look for a solution that can provide them with around-the-clock support and in-person training. The right vendor will be available 24/7 and every day throughout the year to make sure that there are no gaps or issues when trying to execute or aggregate surveys or results.

Once the criteria for vendor evaluation are well understood and become a part of the buying process, the next point of focus should be the available features and capabilities of the contending solutions. There are three primary areas of focus that must be part of your evaluation:

- Meeting organizational optimization and governance demands**
- Meeting security demands**
- Meeting user demands**

This buyer's guide will focus on each of these three areas individually in the subsequent sections. Choosing the right solution requires that a specific offering meets all, or nearly all, the requirements listed for each section. For example, prioritizing ease of use while ignoring security could result in an unfortunate buying decision. Cutting corners on one criterion could open your board up to unnecessary risk.



## Meeting Organizational Optimization and Governance Demands

In many firms, the desire to enhance business operations through evaluations is motivated by a desire to meet governance and legal demands in order to drive and effectively upgrade the existing self-assessment process. Key questions that potential vendors must answer include:

- **Can the solution meet legal and regional stock exchange requirements?**
- **Can it provide the certainty that all directors and executives will complete evaluations?**
- **Can the organization customize evaluations for directors, managers and board committees?**
- **Can the evaluation tool measure topics such as diversity, performance and culture?**
- **Can the evaluation solution generate consistent and comparable data to easily identify improvements or changes to key metrics?**

### The Answers to Key Optimization/Governance Questions That an Ideal Evaluation Should Provide:

**Meeting legal and regional stock exchange requirements—**The answer to this question must be a simple yes or no. There is no room for equivocation. The vendor must be able to point to examples where its solution is successfully providing the evaluation platform for an exchange-listed company.

**Provide certainty that all intended respondents complete the survey—** For evaluation data to be useful, it is essential that all, or virtually all, of the respondents complete the survey. For non-anonymous evaluations, the corporate secretary or other person in charge of the evaluation must be able to identify who has not responded in order to remind them to complete it. This functionality is critical to accurate evaluations, which, in turn, are essential to providing actionable data. Many general survey tools either don't have this capability or make it difficult to implement. Full participation is especially important in evaluations with small respondent pools, which is often the case with a company's top executives and directors. If there are only 15 or 20 potential respondents, the failure of just five or six to respond will result in data that is not robust.

### Ability to customize evaluations for different types of respondents—

The respondents for these types of evaluations vary substantially. They may include outside directors, top executives or members of board committees. The evaluation solution must be able to support all the nuances or questions that are dependent on the role of the respondent. Using more than one solution to accommodate those nuances introduces complexity, and administrators will need to become proficient in more than one evaluation tool. Using a single solution for all evaluations makes it easier for both the survey administrators and the respondents to complete the evaluation process.

**Ability to evaluate different topics—** Evaluations may focus on various topics such as culture, diversity or performance. Organizations are under increasing pressure to have clear positions on key public-facing issues such as their carbon footprint, diversity and even hiring practices, and they may want to evaluate top officers' grasp of such issues. Organizations might also want to evaluate how well the people in leadership roles understand such internal-facing issues as culture or specific aspects of corporate performance. This is another instance where having a common solution for all evaluation activities will create greater efficiency and simplicity in assessment processes to give the board more flexibility to address a broader range of topics.

Board Evaluations - Self Assessment - Number Rating

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New Page

**Q: 1**  
I am aware of what is expected of me as a board member.

1	2	3	4	5
0% (0)	0% (0)	40% (2)	40% (2)	20% (1)

Required \*

**Q: 2**  
I have a good record of meeting attendance.

1	2	3	4	5
0% (0)	0% (0)	80% (4)	20% (1)	0% (0)

Required \*

**Q: 3**  
I read the minutes, reports and other materials in advance of our board meetings.

1	2	3	4	5
0% (0)	0% (0)	60% (3)	40% (2)	0% (0)

Required \*

**Delivery of consistent data and metrics that allow comparison of evaluations across time—**The data from one specific evaluation is always useful, but the ability to review data across evaluations performed at different points in time provides far greater insights. Yet, if the questionnaire changes or the survey platform is not consistent, comparing data is not possible. The ability to reuse or develop a library of consistent questions/issues is central to creating “waves” of comparable evaluations. Accurate data on the changes in key parameters over time provides important directional insight that can inform directors and executives about the effectiveness of actions taken previously.

**Incomplete survey responses—** Directors often submit evaluation responses and frequently forget to answer one or two questions. This requires the administrative staff to chase after the directors. This is a frequent complaint. The Diligent Evaluations required question feature prevents directors from moving on in the evaluation if a required question is unanswered.

## Meeting Security Demands

Evaluations may contain highly sensitive information whose disclosure could cause serious financial or reputational damage. Unfortunately, many evaluation projects are undertaken with little thought given to the protection of the data collected or the survey itself. Effective security cannot be an afterthought, and its consideration must be a critical part of any assessment of evaluation solutions. Key security questions you should ask potential vendors include:

- **Is data stored in a publicly accessible service?**
- **Will access to survey data be controlled by one employee's username and password?**
- **Are there tools to control who receives the evaluation results?**
- **Is executive and director personal data secured?**
- **Is it easy to toggle between anonymous and non-anonymous replies?**

### The Answers to Key Security Questions That an Ideal Evaluation Should Provide:

#### **Storing evaluations data in publicly accessible services—**

Although many public survey services offer reasonable security, there is always the potential for a breach of those services by a skilled attacker. The vulnerability of a private service that has no

public access is substantially different from one that offers accounts to anyone. In addition, a service that has no public access may be required by some compliance or regulatory regimes. Diligent's Evaluation solution, with its secure Diligent Boards portal, is completely protected from public access.

**Ensuring one employee doesn't have personal control over survey data—** When using basic survey sites for evaluations, the creator of the survey account usually has full and sole control over access to the survey data. If that employee leaves the organization, it is unlikely that anyone will think of the need to retain the credentials for accessing the service. There is also the risk that the survey tool credentials could be stolen, increasing the likelihood that sensitive information in director and executive evaluations finds its way into the public domain. With Diligent, all data and credentials are stored and managed within the private portal.

**Tools to control dissemination of evaluation results—** One of the most important security benefits of a next-generation evaluation solution is the ability to strictly control the dissemination of results. A solution such as Diligent Evaluations that is designed at the outset to control the reports, graphs and results that are the products of evaluation activity is highly desirable. The solution should also control what recipients can do with these results, protecting the data from further unauthorized dissemination.

**Securing personal data of directors and executives—** As part of the evaluation process, or for specific evaluations aimed at gathering details from directors and executives, it is common for personal information about these high-level individuals to be contained in evaluation results. As a result, it is imperative for the evaluation solution to provide full protection for all the data in the evaluations. This is another reason why best-in-class evaluation solutions provide strong cyber-protection for all the data in the evaluation surveys.

**Toggle between anonymous and attributable evaluations—** Given the broad scope of board and executive evaluations, it is common for some evaluations to record the results of a specific individual and for others to remain anonymous. The evaluation solution that you choose must be able to easily toggle between these two modes. Without this, it will be difficult to perform optimized evaluations. Diligent Evaluations makes it easy to switch modes, and the company's strong support team can offer insight as to which mode is most appropriate for a specific type of evaluation.

## Meeting User Demands

Usability should not be ignored when assessing evaluation tools. If the evaluation process is difficult to design, initiate or complete, and if it requires the corporate secretary, director or executive to learn new tools, it will not deliver as intended. Key usability questions you should ask potential vendors include:

- Are evaluations completed within a portal or platform that directors and executives already use?
- Is report generation automated?
- Does the solution deliver simplified questionnaire development?
- Does it capture answers as they are completed so that a lost connection or link doesn't force the respondent to start over?
- Does it make it easy to build an evaluation with "branches" that will vary from one respondent to another based on answers to specific questions?

### The Answers to Key User Demand Questions That an Ideal Evaluation Should Provide:

**Using a portal or platform that directors and executives already utilize—** Executives and directors are much more likely to interact with software and tools they already know how to use. As busy people, they expect the efficiency provided by using known tools and software versus a brand-new environment. They may also be worried about using an unknown environment or app because of the possibility that it is a well-disguised cyber-threat. Therefore, Diligent Evaluations, which are completed within the Diligent director portal, is a better option. Using this solution, evaluations are just another task within a known environment.

**Automated report generation—**The need for automating the reporting process is driven by several demands. The first is to simplify the process of delivering evaluations for the corporate secretary and other staff. Automating report generation eliminates many manual tasks. The second driver is the need for timely delivery of results. With automated report generation, results are available sooner. The third driver is accuracy. With automated tabulation and graphic generation, manual data manipulation mistakes are eliminated.

**Simplified questionnaire development—**The starting point for most evaluation projects is the creation of the questionnaire, which can be a long, laborious and frustrating activity. Simplifying the process saves substantial time, and a solution that incorporates proven survey design tools will produce better data. Simplification also includes the ability to clone prior evaluations or sections to ensure consistent results between evaluations conducted at different times or prepared by different staff members. Diligent takes this a step further with best-in-class customer support for questionnaire development.

**Capturing responses as they are entered—** One of the most common complaints about online evaluations is that data could be lost if the internet connection goes down mid-survey, requiring the respondent to start over. Imagine how frustrating this would be if the link was interrupted when you were nearly done with a long and detailed evaluation. The potential loss of data also complicates things for anyone who doesn't finish the survey before being called away — to an important meeting, for example. The Diligent solution saves all answers as soon as they are entered. There is no wasted time or frustration from lost data.

**Ease of building “branching” questionnaires—** For many evaluations, the flow of questions may change based on the answer provided to a previous question. This is known as “branching.” Making it simple to build branching evaluations and provide the data within the different branches is an important capability that will optimize the information that can be gathered from an evaluation. With a solution that lacks this functionality, or one that has it but is too complex to use, evaluations will always be rudimentary in nature.

## Diligent Evaluations Is a Compliant, Secure and Easy-to-Use Solution

Diligent is a proven provider of solutions for boards and senior executives. One differentiator of the company is its Governance Cloud ecosystem, which accommodates the Diligent Evaluations product. Diligent Governance Cloud is a comprehensive platform that meets the governance/optimization, security and usability requirements that are necessary in a next-generation solution. This solution mitigates the need for costly consultants to run board evaluations, while providing a platform that allows the firm to enhance evaluation activities to cover more aspects of the business. Every feature of Diligent Evaluations is informed by Diligent's experience working with the boards of corporations, nonprofits, and financial/banking institutions worldwide.

Compared to both legacy manual and online-survey-based evaluation alternatives, Evaluations substantially enhances security. With a controlled environment that is not open to the broader internet, there is greater protection against cyber-attacks. Data collected from evaluations is also protected in a secure database that is owned by the organization, not any one employee. This prevents embarrassing or costly data leakage.

Most importantly, Diligent Evaluations is designed to make the process far simpler for the corporate security, other staff, directors and senior executives. A high degree of automation, coupled with simplified questionnaire design, reduces both the time needed to launch an evaluation and the time needed to tabulate and produce the results.

Diligent customers often start using Evaluations as a survey to assess the effectiveness of each board meeting (which attendees complete at the end of the meeting). This is a much easier way to introduce the tool to the Board, as opposed to starting by overhauling the annual board assessment. This also improves the buy-in for using Evaluations. Another feature of Diligent Evaluations that customers find highly desirable are the "board-ready" reports that are generated from the survey. This style of report is easily consumed and makes it simpler to identify the most important information.



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