

Get the Board Data You Need on Time

By Gary W. Patterson

Why is it that so many board directors chuckle or roll their eyes when asked, “How well does your company perform in sending out complete board of director packages well in advance of a board meeting?” If the phrase “well in advance” doesn’t raise eyebrows, another sobering reality usually does—the fact that board packages are not typically finalized until one to three days before board meetings. In worst case scenarios, some material may not be distributed until the night before, with updates being handed out as board members walk into the meeting.

Why Board Members Don’t Get the Data They Need on Time

Timing the release of critical information is a way for executives to control their boards. Many directors have experienced CEOs who believe their job is to manage or control their boards by deciding when and how to release controversial or sensitive information. Stories abound of executives who have ripped out offending pages of completed board packages right before the books were distributed. Fortunately, in recent years there has been an increased awareness of the value of practicing good governance, but such incidences do still occur.

Inefficient or inadequate accounting processes create bottlenecks for collecting timely and critical financial data. Not all accounting departments are created equal. In fact, there are many accounting departments

that simply don’t have the capability to prepare, analyze, and distribute the financials well in advance of a board meeting. Typically this happens in companies that are understaffed or where software systems are unwieldy and/or not kept current. This is especially true of companies that are in growth mode or undergoing a major change.

Information across departments is not easy to collect. If you think it’s difficult to gather critical financial information within a given department, how difficult do you think it is for departments across a company to work together to collect, analyze, and interpret marketing, sales, and technology reports for board meetings? If you said “almost impossible,” you’d be right on point.

The company doesn’t have the bandwidth to adequately prepare for board meetings. The sad truth of some companies, particularly high-growth ones, is that they just don’t have the time, resources, and people power to collect the essential information for board meetings. I’ve witnessed companies that are so caught up in the day-to-day operations (e.g., selling services, manufacturing products, handling customer service) that management doesn’t have the capability to gather and distribute good, timely information much less prepare for board meetings.

Boards Need to Take the Lead to Rectify the Situation

As we all know, acknowledging that there is a problem and doing something about it look very different. If boards want to effect change in this area, they need to take the initiative. This is where the function of the board’s corporate secretary can play a critical role to ensure that board members receive quality information well in advance of board meetings. Fortunately most companies have this function in place even if that person’s authority needs to be strengthened in order to drive the initiative. Those companies that don’t have a designated board secretary should consider adding this capability, even if only on a part time or out-

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Director Summary: A well-prepared board is a board that will make informed, quality decisions. Several factors may contribute to the delay of delivery of critical material to board members in advance of a meeting. The following steps can help expedite timely distribution of material and highlight the benefits of an informed board.



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sourced basis. The key is to have a point person who is the board's spokesperson and liaison to management. If the journey of a thousand miles starts with a single step, here are a few steps that the board, through the corporate secretary, may want to consider.

Step One: Commit to breaking the data logjam. The board's corporate secretary should proactively communicate with the CEO that addressing the logjam needs to be management's priority. In this regard, the corporate secretary must work with the CEO (and probably the CFO) to establish a process to accelerate whatever system exists for collecting data for the board package. The timeframe in which this data should be collected needs to be agreed upon by the board and management in advance of board meetings.

Step Two: Find out who worked on the logjam issue (or at least proposed solutions) in the past. I've often discovered that whenever boards and their management begin to examine this issue, they'll often find that a group from accounting, marketing, or technology had previ-

ously addressed this problem and provided solutions. However, what will also be revealed is that management found the solutions to be too functionally oriented or felt "it wasn't the right time" to implement them. If your company is going down this path for the second time, it will be important that the board's corporate secretary unearth this information, review it, and talk to the "historian" who knows what happened and can give the board insight into why this effort was not successful. The board can use this failed effort as a springboard to discuss with the CEO a refined means of data collection or the creation of a new strategy. By taking a proactive stance to facilitate the flow of information to the board, the corporate secretary strengthens his or her role in presenting critical data to the board and ensures the board has the tools to make informed decisions.

Step Three: Streamline the collection, analysis, and distribution of data. As was raised earlier, critical information may be difficult to obtain and analyzed in a timely manner. If this is the case in your company, the corporate secretary should advise the CEO to consider the following recommendations. (1) Tighten up the financial statement's closing timetables, (2) Improve or overhaul the operating or financial reporting systems. (3) Eliminate some reports altogether.

Step Four: Simplify the board package. In my experience working on and for boards, I've found that often the level of information and the number of pages in board packages are unwieldy and dense. Presenting operational and financial information in both graphical and numeric formats can be overdone and unnecessary: You need only look at the glazed-over expressions of board members to understand the consequences of information overload. I recommend that boards strongly advise their management teams to put away their lengthy PowerPoint presentations, white boards, and pointers and instead provide one-page financial and operational summaries that are written at a strategic level. Imagine how more useful a board meeting could be if board members were given the opportunity to engage in a dialogue about strategic issues instead of drowning in company minutia.

In What Form(s) Does the Board Receive Information?

- Hard copy: 93.8%
- E-mail with attachments: 88.8%
- Slide presentations in the boardroom: 74.9%
- Company web: 23.6%
- Commercial board portal: 10.0%
- Other: 3.4%

On average, board members receive materials 6.3 days before a board meeting, with 7 days being most frequently cited (by 31.4% of respondents).

Source: *NACD 2007 Public Company Governance Survey*

Realizing the Benefits

The benefits of delivering timely information to board members should not be underestimated. The obvious and not so obvious reasons are:

- Directors who get the materials early are given the time to prepare and think about the issues at hand and therefore are able to offer more insightful, well-thought-out recommendations. Another benefit is that

the boards are encouraged to raise the company discussion to a strategic level instead of getting bogged down in operational issues. It goes without saying that using a board to solve tactical problems is not the best use of its expertise and time.

- CEOs and their boards receive that rare gift of time—time to ponder, understand, and collaborate on key strategic issues that will help their companies grow and prosper.
- Maintaining effective internal controls over financial reporting and distribution of material makes for good governance; it's that simple.

In the end, the quality of your board's decisions is equal to the quality of the information management provides. And the quality of that information, in part, depends on the timeliness of the information. It's up to management to decide how to use their boards and the kinds of decisions they expect their boards to make. But remember: The decisions a board makes are the decisions that a company must live with. And that's the bottom line. ■

Gary W. Patterson is a NACD member who serves on two non-profit boards and three advisory boards. As a consultant, he also has implemented the solutions suggested in this article for a number of boards over the last decade.



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Directions with Mark Goulston

Be Respectful then Multiply

If you treat employees like they make a difference, they will make a difference.

– Jim Goodnight, CEO, SAS

SAS is one of the largest software companies in the world. At the helm since the company's incorporation in 1976, Goodnight has often said that there are three foundation blocks for leadership: Respect the people you lead, exceed customer expectations, and never stop innovating. But it all begins with respect.

When you respect your colleagues and staff in a "respect challenged" world, you exceed their expectations which causes them to exceed your customers' expectations. Shared and sustained mutual respect is one of the best fortifiers of all relationships. Conversely few things undermine relationships more than the loss of respect between individuals.

Sound too soft? Goodnight says: "That philosophy has a quantifiable, bottom-line business benefit for SAS and for our customers. We have an employee turnover rate of four percent, compared to more than twenty percent in our industry, which translates into a savings to us of more than \$100 million annually. And because our employees are excited and engaged, they give our customers their best."

Such an approach helps SAS innovate. "Managing for creativity is extremely important in companies where the main product comes from the minds of the workers," says Goodnight. "The software business does not require a huge amount of capital investment. The real assets are the people. And only people can solve problems, write software, and create value."

Goodnight has overseen an unbroken chain of revenue growth—a feat almost unheard of in the software industry. In 2004, Harvard Business School named Jim Goodnight one of the "20th Century's Great American Business Leaders" for his three decades of leading a business that has changed the way Americans have lived, worked, and interacted in the 20th century.

Mark Goulston, M.D., heads the team building and executive coaching practices at Ferrazzi Greenlight and is the author of: *Get Out of Your Own Way at Work... and Help Others Do the Same* (Perigee, 2006). Visit him at: www.markgoulston.com.