

# DIRECTORS' BRIEFING



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## Effective board meetings

● The way you run board meetings speaks volumes about how you run the company. Successful companies use board meetings to create and improve key business strategies. Mediocre companies often fail even to set objectives for their board meetings. This briefing is aimed primarily at companies large enough to have board meetings. But it is also useful for smaller businesses, as many of the points apply to strategy meetings in general. The briefing outlines:

- ◆ The objectives of board meetings.
- ◆ Who should be on the board.
- ◆ Preparing for board meetings.
- ◆ Running and following up board meetings.

### 1 Your objectives

Typically, board meetings have five objectives.

- A** To agree a **strategy** and assess its effectiveness. To do this, the board must understand:
- ◆ The key 'drivers' for the business (see **Key performance indicators**, ST 12).  
For example, the key driver for a manufacturing business might be product innovation. In a more mature market, it might be cost efficiency.
  - ◆ The strengths, weaknesses, opportunities and threats that are relevant to the business (see **SWOT analysis**, ST 1).
  - ◆ The changes occurring in the industry and marketplace.

The management should present strategy proposals at an early stage in the planning

process. The board can then provide initial reactions and direction.

- B** To ensure that **company operations** are in line with strategy.

For example, a consultancy business may be taking on numerous small projects, despite its agreed strategy of concentrating on fewer, larger projects.

- C** To monitor **financial performance** against the budget.

- D** To make sure procedural and **compliance** issues are properly dealt with.

These include:

- ◆ Legislation, such as the Companies Acts and health and safety law.
- ◆ Disclosure by directors of potential

#### FURTHER HELP

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name and by the code given to each briefing. For example, the strategy briefings have the codes ST 1, ST 2, etc.

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conflicts of interest.

- ◆ Codes of conduct (eg the rules set up by your trade association).
- ◆ Compliance with customer requirements.

**E** To use **non-executive directors** as sounding boards for new ideas.

- ◆ Take full advantage of non-executives as a source of alternative approaches to problems and opportunities. (See **3**.)

Done well, board meetings help a company to devise a business strategy and implement it successfully.

## 2 Members of the board

Selecting the right mix of people creates an effective board.

Each board director's role should be agreed in the first place.

**A** The choice of **chairperson** is crucial. While the managing director runs the company, it is the chairperson who runs the board. All boards need strong leadership.

Appoint a chairperson who can:

- ◆ Create a good team.
- ◆ Command respect from fellow board members, shareholders and employees.
- ◆ Understand the business.
- ◆ Listen to all opinions and then speak honestly.

**B** Experienced **non-executive** directors can

### Who is in charge?

*The power of the board, and the scope of its remit, usually depends on whether the main shareholders are involved in the day-to-day running of the business.*

- ◆ *A business owned and managed by a single individual may prefer to use board meetings for compliance purposes only. Everything else can be covered in management meetings, set up for the purpose in question (eg strategy, monitoring). Non-executives may still be involved, but on a less formal basis.*
- ◆ *A business owned by individuals (or organisations) with no daily involvement tends to rely heavily on the board. Accountability to the board (and in turn to the shareholders) is a major issue. Non-executives may be in charge of matters such as the audit, appointing new directors and remuneration policy.*

have a major positive impact (see **3**).

**C** A team with **complementary skills** contributes to sound decision-making.

- ◆ For example, if you plan to expand, find someone who understands the financial implications.

Similarly, blend optimism with pessimism, and experience with youth.

**D** Board members should be selected on **merit**. They need to be able to:

- ◆ Think strategically, with a long-term view and a level-headed, realistic approach.
- ◆ Work well with the rest of the board.
- ◆ Contribute to discussions outside their main area of expertise.
- ◆ Put the company's best interests ahead of their personal best interests.

**E** To be effective, the board should agree on the **objectives** and scope of the board meetings.

- ◆ Ask each board member to write down his or her views.

Opinions will vary considerably, but you can then come to a workable consensus. This is the first step in getting the board to work as a team.

Resist pressure to appoint unsuitable people to the board.

For example: the long-term manager, appointed as the only means of promotion; the chairperson's friend, appointed as a non-executive to strengthen the chairperson's own position; or the shareholders' representative, who has little business experience.

See **Directors' responsibilities**, ST 8, and **Role of the company secretary**, ST 9.

## 3 Non-executive directors

Non-executive directors ('non-execs') can make a board considerably more effective, at a low annual cost.

**A** Consider the **role** non-execs could play in your business.

For example, they can be particularly effective in:

- ◆ Providing an independent overview of the business strategy.
- ◆ Bringing experience of other companies and industries.
- ◆ Countering board weakness in a particular area.

For example, many smaller companies do

"If the formulation of strategy is not being undertaken in board meetings, there is probably no strategy at all."

Mike Ewart-Smith,  
Whitegrove Group

"Getting the right non-executive director is the world's fastest shortcut to creating effective board meetings."

Paddy MccGwire,  
Cobalt Corporate  
Finance

not have financial personnel who could take on boardroom responsibilities.

- ◆ Planning the succession of executive management for a business.

**B** Recruit non-execs who have the right **personality traits**.

- ◆ The stronger the other personalities on the board, the stronger the non-execs' personalities need to be.
- ◆ Non-execs should have no axe to grind and no fear of upsetting their board colleagues. They should give honest critiques of new ideas.

**C** Use non-execs as **agents of change**.

- ◆ Without non-execs, there is a tendency to carry on doing the same things the same way, without considering the alternatives.

**D** Draw on non-execs' experience and objectivity to help take **tough decisions**.

For example:

- ◆ Closing down loss-making activities.
- ◆ Laying off employees or asking a fellow director to resign.
- ◆ Deciding emotive issues like directors' pay, share options, the company car policy, and remuneration generally.
- ◆ Managing the business through unexpected crises.
- ◆ Appointing new auditors or directors.
- ◆ Deciding whether to take legal proceedings on a particular issue.

It can be difficult for a single non-exec to sway a board. Ideally, there should be two or more.

### A typical agenda

The agenda below shows a typical structure.

- 1** Approval of the minutes of the last meeting.
  - ◆ This is a chance for board members to note inaccuracies or to add points which have been omitted.
- 2** Matters arising.
  - ◆ Members are invited to raise issues which are not due to be covered in the published agenda.
- 3** Procedural and compliance issues.
  - ◆ For example, this may include the appointment of a new director or the register of a share transfer.
- 4** Finance director's report.
  - ◆ This is a review of the company's financial performance.
- 5** Managing director's report.
  - ◆ This covers major new initiatives, the business outlook — including the order book — and foreseeable threats and opportunities.  
It includes a review of ongoing projects and operational issues.
- 6** Strategic issues.
  - ◆ For example, the acquisition of another company or the creation of a new company department.
- 7** Any other business.
- 8** Date of next meeting.

## 4 Board papers

All board directors should come to the meeting well briefed. Distribute board papers on an agreed date before the meeting.

Board papers should include several standard elements.

**A** **The agenda** (see box). A full agenda should:

- ◆ Fit the agreed objectives of the board meetings (see **1**).
- ◆ Not be too long.
- ◆ Have specific items to discuss, rather than just a list of general areas.  
For example, under the heading 'Strategic issues' you might list 'Proposal to start a direct sales team'.
- ◆ Include cross references to the relevant items in the board papers.

**B** **Minutes** of the previous meeting.

**C** **Management accounts**.

- ◆ The board should invest considerable time in deciding which pieces of information are the most useful. (See **Key performance indicators**, ST 12.)

**D** Papers relating to **specific agenda items**.

- ◆ For example, a major equipment purchase.  
A good summarising note enables the board to take such decisions swiftly.

Generally speaking, the papers should not take much more than an hour to read and analyse.

Stick to an agreed format, so the papers are easy to use. Review the format once a year, as your focus will change over time.

"The most useful word in a board meeting is 'Why?'."

Steve Richards,  
Interflora

"Board effectiveness can be ruined by political in-fighting. Executives at board level have to stand above their own functional interests and focus on company objectives."

Simon Macaulay,  
Anglo Felt Industries

"In smaller companies, some form of regular board meeting provides a crucial discipline. Good intentions are replaced with proper plans and firm deadlines."

Garry Sharp,  
Independent Direction

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**BRIEFING ST 5**

## 5 Running the meeting

- A** The **chairperson** has the most influence on the meeting.
- As chairperson, your role is to:
- ◆ Determine the final content of the agenda, in conjunction with the managing director.
  - ◆ Brief non-execs (and others) in advance on any sensitive issues.
  - ◆ Allocate time to agenda items according to their importance.
  - ◆ Create open discussions by introducing each item in a balanced, positive way.
  - ◆ Elicit the views of the quieter directors and prevent anyone dominating the discussion.
  - ◆ Give your views on each issue after the others have given theirs.
  - ◆ Summarise what has been decided, to check there are no misunderstandings.
  - ◆ Be firm in allocating responsibilities and ensuring that they are carried out.
  - ◆ Check at the next meeting that all decisions have been implemented.
- B** A good **location** for the meeting is important.
- ◆ An off-site venue can help you focus more on strategic issues and less on operational ones.
  - ◆ A good seating plan helps to draw everyone into the discussion.
- C** The **date** of future meetings should be agreed in good time.
- ◆ Larger companies generally have monthly meetings.
  - ◆ Smaller companies may find quarterly meetings more effective.  
The impact of board meetings becomes diluted if there are too many.
  - ◆ For limited companies, one board meeting a year is the legal minimum.  
This meeting is used to sign off the annual accounts and to ratify any key decisions made by directors during the course of the year.
  - ◆ At times of rapid change, increase the number of meetings.
  - ◆ Board members should receive monthly management accounts, even when there is no board meeting.

## 6 Follow-up to the meeting

- A** Keep the **minutes** of the meeting brief.
- ◆ Minutes cover decisions made, actions agreed and responsibilities given.  
They also include any statements which were specifically requested to be minuted.
- B** Distribute the minutes **promptly**.
- C** If appropriate, **inform employees** (or others) about decisions made.
- ◆ This is part of the action plan agreed in the meeting.

## 7 Improving your skills

A little training can make a significant difference to the performance of a board.

- A** Individual **training needs analysis** will reveal what is required.
- ◆ Which directors understand the general duties and liabilities of a director?
  - ◆ Which directors carry out their role to the required standard?
  - ◆ Which directors lack experience?
- One way to learn is to talk to the equivalent director in another company. Find out what lessons have been learnt by this person over the years, both individually and as a board.
- B** Being a good **chairperson** demands skill.
- ◆ The shortcomings of the chairperson are often overlooked, particularly if he or she is also the major shareholder.
  - ◆ The chairperson should receive regular feedback on what could be improved.  
Consider using a non-exec to conduct a regular appraisal. The non-exec can gather feedback from the whole board.
- C** **Non-execs** should receive induction training.
- ◆ Put together an information pack about the company's operations. Set up meetings with the key management.

### EXPERT CONTRIBUTORS

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### FURTHER READING

This briefing is based on Patrick Dunne's book **Running Board Meetings** (£12.99 Kogan Page).

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