



The Influential Company Secretary Series : 3. Supporting alignment of the board's focus with strategic and governance priorities

Description

A colleague at Board Excellence recently published a thought-provoking article which proposed a hypothetical scenario in which the board meeting be streamed live to shareholders.

Following the meeting, each shareholder would be asked to assess the board's collective performance and that of each board member under a number of categories critical to performance and effectiveness, and then to vote to retain or replace each director and the whole board.

Stop and think about the implications of this scenario for a moment. Now try and picture your own board meeting in such a scenario and how that assessment might go! Would your whole board survive?

When we play through this scenario at our board best practices workshops, the reaction is typically that being put in such a scenario is a 'game-changer' for most directors, including the executives, in that it fundamentally shifts their views of their own performance. The point of the exercise is exactly that, to help the board understand that their perspective of their effectiveness and performance as a board team may actually fall quite short of their shareholders' (and stakeholders') expectations and understanding of their performance.

While a board's effectiveness and performance depends on many factors, and we considered some of these in the last article in the series, one of the most common challenges for the majority of boards is ***staying focused on strategic, performance and governance priorities, and a growing range of competing, business critical topics***, without being distracted by unnecessary detail and time-consuming and energy-sapping administrative and procedural matters.

And many of these competing considerations do require the board's attention. When we think about the implications for business of the proliferation of emerging technologies and social media, fintech, sustainability, cyber security, big data, data protection, culture, talent management, real succession planning, regulatory change, and the list goes on, time must be found to allow the board to give due consideration to those matters of relevance to their companies.

In these circumstances, someone has to take control of the board's work and agenda planning and that someone is the Company Secretary. They can't achieve this in isolation and will rely heavily on the Chair, CEO and senior management for guidance and support, but ***there's no doubt that the Company Secretary is best placed in the vast majority of organisations to influence the focus of the board's workload and to make a real value-adding difference in this context.***



Most listed companies will already have arrangements in place to deal with these challenges but I have no doubt that there are many companies and organisations who struggle to manage their board workload because of such circumstances. I'm also pretty sure that there are a number of different ways in which to take control of this challenge and many readers will have their own views on the topic. However, we have to start somewhere so here's a suggested approach.

As a first step, the development by the Company Secretary of an indicative annual work programme for the board (and committees) will pay significant dividends over time and allow the Company Secretary to engage objectively with the Chair and CEO on the shape and proposed content of board meetings a few months out. The programme will be indicative but will be refined and tied down on a rolling basis for the following two or three board meetings. There must also be sufficient in-built flexibility to facilitate the addition of the inevitable last-minute imperatives.

The work programme should be built in segments, which will ultimately reflect the structure of the meeting agenda, and will include for each meeting:

1. the **management update**, incorporating:

- (a) a CEO Report on high level business performance and the most critical developments and

~~occurrences in the business since the last meeting and the most likely to occur before the next meeting;~~

(b) the CFO Report covering the financial highlights and balance sheet formation relative to plan for the most recent reporting period and year to date, and, depending on the time of year, the full year forecast;

(c) the CRO Report which provides a high level summary of the known material risk matters occupying the CRO's day and the 'watch' items warranting careful attention; this doesn't take away from the work of the Board Risk Committee if such exists or their updates to the Board, but it gives all directors the opportunity to hear a synopsis of the material issues straight from the CRO; and

(d) adequate time to facilitate constructive dialogue on the content of each of the three Reports, to which the majority of time in this session should be dedicated; it's essential that this does not become a one-way download from management and that the directors engage management in understanding the key messages and trends from the updates without dragging the conversation into the weeds;

2. updates on strategic priorities and projects which should (i) include an overview of the overall programme of strategic priorities, and deep dives on no more than two individual projects from the programme, and (ii) provide insights on progress against key deliverables and delivery dates, successes, challenges, learnings, etc., so directors are facilitated in engaging and challenging management constructively on the substance of the relative project and priority and overall progress on strategy execution;

The board's approval of the company's strategy and oversight of strategy execution are the most fundamental of a board's responsibilities. Ironically, it is this item which tends to be squeezed most as pressure comes on the agenda so you have to make sure that does not happen. A company's strategy does (should) not change from year to year, unless it's the wrong strategy, but the strategic and business planning process should deliver an annual programme of strategic priorities and related projects on which management and the board can focus, and it's this programme which should form the basis of the board's strategy oversight efforts and their focus at board meetings. So, working with the CEO and senior management, the Company Secretary should schedule a series of updates throughout the year on progress on each of those priorities and projects, with one or two considered at each meeting to ensure full coverage for the board;

3. individual business and operational deep dives again scheduled throughout the year so that the directors can engage management of each business unit and function on progress, performance and any challenges being experienced; these updates should also include market and competitor analysis where relevant so as to provide the board with a holistic picture of the particular business and sector operating environments;

4. material governance and regulatory considerations, including updates from chairs of the board committees on [only] the two or three substantive matters considered at their most recent meetings and any matters of concern of which the board should be aware; the Chair should manage this section carefully to ensure that updates don't become a routine walk through the entirety of committees' meetings;

A significant element of this category will be consideration of policies which require the board's approval, and which can use up a significant amount of meeting time. Very often, typically due to

legacy situations, the policy framework will require the board's approval for many policies that should not require approval at that level. So, under the Company Secretary's guidance, the board and management should work together constructively to limit the number of policies requiring board approval and delegate approval authority to either board committees or appropriate management levels; and

5. administrative imperatives such as minutes and progress on addressing matters arising from previous board meetings, approval of amendments to key governance documentation, etc.

When converting the work programme to a meeting agenda, I suggest that the weightings of the individual items should be roughly 20% on the management updates, 40% on the strategic updates, 20% on the business and operational updates, 15% on governance and regulatory considerations and 5% on administration, and in all cases allow plenty of time for discussion rather than pure presentation.

This means that roughly 80% of your agenda is focussed on strategy, business and performance imperatives. The governance, regulatory and administrative matters are critical and will need to be given due consideration but the vast majority of the board's time will be focussed on priorities that could unlock real value for shareholders and stakeholders.

It's imperative then, once the indicative programme is agreed with the Chair and CEO, that the Company Secretary guards it rigidly so that management or directors can't add "nice to haves" or pet projects without there being some relationship to the programme and some link to the agreed strategic and/or business performance topics.

Fig.1 Illustrative Board Work Programme

Meeting date	Jan-19	Feb-19	Mar-19	Apr-19
Location	Head Office	Head Office	Off-site	Head Office
NED Private Sessions	n/a	Yes	n/a	n/a
Management Updates <i>(typically 45 minutes to one hour in total)</i>	CEO Report	CEO Report	CEO Report	CEO Report
	CFO Report	CFO Report	CFO Report	CFO Report
	CRO Report	CRO Report	CRO Report	CRO Report
Strategic Initiatives & Projects <i>(typically 1.5 to 2 hours in total)</i>	Customer	Transformation	Culture	Customer
	Technology	Talent	Governance	Social Media
Business & Operations Updates <i>(typically 45 minutes to one hour in total)</i>	Retail	Offshore	Manufacturing	Supports
	Direct	Central Operations	Head Office Functions	Wholesale
Governance & Regulatory <i>(typically 30 to 45 minutes in total)</i>	Policy approvals	Board Evaluation	Policy approvals	Governance Framework
	Consumer Code	Themed Inspection	Listing Rules Update	Fitness & probity
Administrative Imperatives <i>(typically 15 to 30 minutes in total)</i>	Minutes & actions	Minutes & actions	Minutes & actions	Minutes & actions
	Terms of reference	Governance manual	Director declarations	AGM documentation
Indicative Board Training	Cyber Security	Social Media	IT Systems	Upstream regulation
Organised Site Visits	Data Centre	Factory	Retail Outlet	Operations Centre

You'll see from the illustrative work programme above that it also includes board training and site visits. In this way, the programme becomes a composite log and record of all of the board's activities, and allows scheduling of training and visits in advance of and to coincide with topics and updates at board



~~meetings to bring them to life. The site visits also facilitate the directors in engaging with employees and the business in a way that provides them with a greater understanding of employee attitudes and morale and organisation culture than management presentations in the board room will ever provide.~~

So what then happens to all of the other items that can't be accommodated on the board meeting agenda?

Earlier in the article I mentioned emerging technologies, social media, cyber security, sustainability, big data, etc., as some examples of items which require the board's attention and which compete for the board's finite time, and the challenge of incorporating these appropriately in an already full agenda.

Again, the Company Secretary, working with the CEO and Chair, should use initiative to determine and recommend how best and when to get these items on the board's programme. The most important consideration here is HOW, as not all of these items will require a dedicated slot on the meeting agenda, and there are many other channels through which these items can be addressed.

Central to all of the alternative ways, and one which should not be discounted, is the onus on directors in their own time to keep abreast of developments relevant to their roles and so the Company Secretary can prompt the directors on research and reading topics of relevance on which they should be spending time between meetings.

Methods within the Company Secretary's reach which provide the opportunity to bring directors up to speed on relevant matters without using board meeting time include:

1. board committee meetings, where topics are more relevant to the work of committees;
2. board training or briefing sessions, which might be advantageously scheduled the evening before the board meeting and in advance of a board dinner; these sessions present an opportunity to invite external speakers to meet with the board on specialist topics and to continue the conversation over dinner rather than cramming them into tight agendas; as an aside, whenever an external speaker is invited to address the board, it's usually beneficial to have the member of management with accountability for the particular topic in attendance to provide the company perspective;
3. your board portal reading room facility, where papers on relevant topics can be posted between meetings for directors' attention;
4. board dinners (without training) at which management can update directors on topics which lend themselves to such informal formats and, again, there's an opportunity at these to invite external speakers; dinners can also be used by the CEO to brief the board in advance of the meeting on complex items on the board's meeting agenda, or where the CEO Report for the board meeting is longer than usual so as to save time the following day;
5. phone conferences between meetings where matters have an urgency or significance attached to them;
6. through updates in the CEO's Report at the start of the meeting where dedication of a full agenda item is not warranted; and
7. where such developments have a bearing on strategic considerations, by incorporating the implications of a particular topic in scheduled papers for the strategic updates section of the meeting rather than as a standalone agenda item without context.

In conclusion, I've previously written that a highly effective board of directors makes a significant



contribution to the success of the organisation beyond its statutory requirements and is a powerful source of added value for shareholders and stakeholders. Very often, the very effectiveness of the board can depend upon how its finite and valuable time is deployed to ensure it remains focussed on the considerations which matter most to the protection and success of the company.

Coming back to our hypothetical scenario in which the board meeting is streamed live to shareholders, we must do everything in our power to ensure that the board's effectiveness and performance is not in any way diminished by the effectiveness of its meetings and other activities, but is enhanced by judicious use of the board's available time which will stand up to scrutiny from all quarters.

There are many ways in which to structure the board's and directors' time and workload and it sometimes helps to think outside the box about the myriad of ways in which this can be achieved, rather than resorting every time to cramming the board meeting agenda. ***By taking on and addressing this challenge, the Company Secretary further positions themselves as a truly influential and value-adding resource to the board and management.***

David O'Callaghan is a Partner at Board Excellence, an engaging and objective specialist consultancy practice which enables boards, working as teams, and individual directors to excel in effectiveness, performance and corporate governance. We also work with company secretaries to assist them in shaping the structures and practices required to support the board in achieving excellence.

The views expressed in these articles are based on personal observations and experiences, and on learnings from engagement and interaction with many company secretaries from many sectors over many years, and are not reflective of any particular role or company.

Future articles in the series:

The Influential Company Secretary: 4. Making your board information management and processes fit for purpose;

The Influential Company Secretary: 5. Influencing board composition, diversity and succession planning.

The Influential Company Secretary: 6. Conductor of the Orchestra

Other titles in the series will follow so please contact and let me know if there are other topics in which you're interested.

The full series of articles will publish over time on LinkedIn and will be available on my LinkedIn profile articles page, on <https://board-excellence.com/blog/> and on <https://boardexcellence.co.uk/blog/>

The article published by a colleague at Board Excellence to which I referred at the beginning of this piece is available here: <https://board-excellence.com/blog/2018/03/19/streaming-next-board-meeting-live-shareholders-expectations-board-effectiveness-performance/>



David O'Callaghan is a Partner at Board Excellence, a specialist board consultancy, advisory and training practice that supports boards of directors, working as teams, and individual directors to excel in effectiveness, performance and corporate governance best practices. We support boards in all company and business types across all sectors and of all sizes in Ireland and the UK.

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