Is your board reporting process out of control?

By David Parmenter

Board papers can reach mammoth proportions, tying up vast amounts of management time in preparation. The result of these excesses, are often late board meetings with the papers often being sent to the directors only a day or two before the meeting. The board meetings themselves can then be side tracked by the detail with the strategic overview inadequately addressed.

Directors themselves are often a guilty party requesting changes to board report formats, or additional analysis without first finding out what the exercise will involve, or giving staff guidelines as to how much detail is required.

What amount of senior management time is absorbed by the monthly reporting process? We estimate that, for, say, a company with 500 FTEs, the time invested prior to the board meeting is between 26 to 47 days of effort each month.

Senior management time absorbed by board papers

	Days
Drafting papers	2 to 4
Review and redrafting	1 to 2
Total days of effort by each unit	3 to 6
Say 5 business units	15 to 30
Support function reports	10 to 15
Review by CEO etc and redrafting	1 to 2
Total senior management effort each month	26 to 47

Is there a better way? Participants* in the **waymark solutions** studies, are finding ways to improve the board reporting process, from the better practices provided.

Actions the directors can take

- refocus of "variance to budget" reporting
- scoping all information requests
- using the executive information system
- continually purging the board papers
- more timely board meetings
- focus on the key measures

Refocus of "variance to budget" reporting
How often do you find that the variance commentary is not useful? In areas where precise budgets have been set for a month's activity, such as sales, power, payroll, cost of sales etc. monthly variance analysis is valuable. However, many items in the P/L were best guesses at the time of the budget, e.g. PR campaigns, travel, consultancy fees, and were often simply budgeted over the year. Reporting on the monthly variance for these accounts is of questionable use and thus some participants are now focusing variance analysis commentary more on the YTD variance.

Scoping of the information requests
A request for information from the board often can take on a life of its own. A simple request soon adopts "charge of the light brigade" characteristics as the request is passed down the management tree. More direct communication between the directors and the staff who write these reports can minimise this problem.

Direct reports to the business unit managers are now fronting up to committees and staff are writing board papers with limited input from the senior managers. This step takes bravery. However the rewards include, motivated and more competent staff and general managers spending more time making money for their organisation. One participant has made this culture change, with the CEO committing the company to a major training programme turning managers (including the senior team) to "coaches".

Using the executive information system (EIS)
These are the answers to the question "How can we reduce the ridiculous size of the board papers?" Imagine an environment where board members would receive a 20 page document with pointers to relevant pages in the EIS. Board members then could arrive before the meeting and examine those areas of particular interest. During the board meeting some queries could be dealt with before the meeting had finished. One manufacturing participant has such a system and they comment that board meetings are now more strategic, the board papers are brief, the non executive directors have access to the EIS, and management has better control over the business.

Continually purging the board papers
Does it take a 200 page board paper package to run a business? Are the key decisions a direct result of board papers or the collective experiences of the board members? Increasingly today Microsoft PowerPoint is used to deliver presentations to you (the visuals in this article are sourced from it). A major time saving can be made if board members request a copy of the slides plus notes rather than a full scripted version. The benefit to you is that

management have less space to cloud a problem!
They have to set out clearly and concisely the issues.

More timely board meetings
Timely, accurate and concise information is better
than a literary masterpiece. By setting tighter board
meetings (within 10 working days of month end) the
whole process will become more efficient.

Focus on the key measures
Most businesses can be controlled successfully by
monitoring key measures. One of the celebrated
cases is the way that Lord King, Chairman of British
Airways turned around the company by focusing on
one key measure... "delayed departures". Wherever
Lord King was, the EIS could provide him with the
delayed departures and the contact details of the
British Airways representatives at the relevant
airport. Very soon all sorts of inventive ways were
introduced to catch up time on a late arrivals and
much progress was made in eighteen months.

Last words

- set a goal to reduce board papers down to x
  pages within 3 months
- request that a high level EIS is up and running
  within 6 months
- bring board meetings to within 10 working
  days of month end

* David Parmenter is the Managing Director of
waymark solutions limited. *waymark* host better
practice studies throughout the year, focusing on
support functions including accounting, human
resources and information systems. They have a
large database of better practices which study
participants can access.
Email: parmenter@waymark.co.nz
Web site: www.waymark.co.nz