How The Best Boards Do It: The Definitive Guide To Better Board Meetings

PASSAGEWAYS

The Governance Solutions Group, LLC.

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Introduction

The Board of Directors has a responsibility to work in the best interests of the company and its shareholders – and, much of the board's work is conducted at regularly scheduled board meetings. The purpose of this eBook is to help directors, and those who assist the board, ensure meetings are productive and the board's oversight responsibilities are effectively carried out.

The eBook covers four key areas; meeting preparation, day of meeting, post meeting and meeting resources. To start, score your board using our survey to gauge your board's readiness to conduct more effective meetings. Once you complete the survey, a series of tips and best practices for each section follows. The eBook concludes with a final note that offers guidance on how the best boards have taken actionable steps to improve meeting success.

I. Score Your Board on its Meeting Effectiveness

Using the following scale, mark your answer next to each statement, then add your score for each section. If you didn't reach the target score, the Practice Tips section outlines practical suggestions for improving the effectiveness of your board meetings. If you reach the target score, keep up the good work and take pride in your board.

0 — No, we are not currently doing this.
1 — Yes, we do this, but there's room for improvement.
2 — Yes, we consistently do this well.

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A. Meeting Preparation

____ a. Preparation for the next board meeting begins at the conclusion of the previous meeting.

____ b. Agenda preparation includes a review of the board's annualized calendar.

____ c. The final meeting agenda is approved by the board chair or lead director.

____ d. Board materials include the documents directors need to fully discuss agenda items; and a "reference" section for reports that may be discussed at the meeting, e.g. an investor relation reports, governance hot topics report, environmental scan.

____ e. Board materials include the "CEO's introduction letter."

____ f. Board materials are reviewed for consistency prior to distribution.

____ g. Board materials are distributed, most often through a board portal, one week prior to the meeting.

____ h. The CEO calls each board member before the board meeting to confirm the director has what he needs for the meeting and to ask whether he has as any questions.

Target Score 16. Your board's score _____.

For helpful tips and best practices see pages 7-9

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B. Day of Meeting

____ a. The meeting chair receives a "timed" agenda.

____ b. Directors meet in a closed session without management being present (except for directors who are also members of the management team).

____ c. The independent directors meet in executive session(s).

____ d. The board meeting agenda is 80% forward looking.

____ e. Key agenda items are linked to strategy.

____ f. During discussions, directors constructively challenge management and each other.

____ g. The chair periodically calls on directors to voice their opinions.

____ h. At the conclusion of the meeting, the chair asks 4 questions: "Did we accomplish what we needed to get done?" "What could we have done better?" "Did we have the right materials in advance?" "What key items should be on the next meeting agenda?"

____ i. Following the meeting (or the evening before) directors meet for a private dinner.

____ j. Minutes from the previous meeting, assuming approval, are signed.

Target Score 20. Your board's score _____.
For helpful tips and best practices see pages 10-12

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C. Post Meeting

____ a. Follow-up notes are promptly handled.

____ b. Draft minutes are distributed within one week of the meeting.

____ c. The "first draft" of the next meeting's agenda is prepared internally.

____ d. The CEO's "in-between" meeting report is distributed.

____ e. Other "in-between" materials are uploaded as appropriate, i.e. quarterly analyst reports.

Target Score 10. Your board's score _____.

For helpful tips and best practices see pages 13-14

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E. Meeting Resources

____ a. The board has easy access to past meeting agendas and supplemental materials.

____ b. The board's annualized calendar is a reference document that is readily available

____ c. Governance guidelines and committee charters are easily accessible.

____ d. Significant policies (i.e. conflict of interest statement, ethics, insider trading, document destruction, delegation of authority) are readily available.

____ e. The Articles of Incorporation and By-Laws are easily accessible.

____ f. Third party reports are easily accessible.

____ g. Director and management contact information is easily accessible.

Target Score 14. Your board's score _____.
For helpful tips and best practices see pages 15-16

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Tips and Best Practices

II. PRACTICE TIPS

A. Meeting Preparation

Being prepared is the key to success. The most effective meetings encourage quality engagement. A well composed agenda and a streamlined distribution process for materials is essential.

a. Preparing for the next board meeting begins at the conclusion of the current meeting.

During the board meeting, the corporate secretary and others will jot down notes that may include items the board would like to see on the next agenda or other follow-up actions. Once the meeting is concluded, the corporate secretary and her team will debrief to ensure these actions are handled promptly and to start the "first draft" for the next meeting agenda. Some companies have found success when the executive management team – the group of managers that regularly attend meetings – hold a scheduled "debrief" meeting, often the day after the board meeting. Individual directors may go through a personal debrief and send agenda notes to the corporate secretary.

b. Agenda preparation begins with a review of the board's annualized calendar.

About six to eight weeks prior to the board meeting, the secretary or general counsel's office will review the annualized board calendar. (This is a separate document from the board meeting schedule which is a compilation of board and committee meeting dates.) The annualized calendar contains the board's reoccurring action and agenda items that are scheduled to take place. The annualized agenda, along with notes from previous board meetings, form the foundation for the meeting agenda. The CEO will have supplementary agenda items. Some companies have a regularly scheduled management meeting to discuss the board agenda and meeting plans. Having this meeting six to eight weeks out provides the Chief Human Resource Office, the Chief Financial Office, and others the opportunity to make suggestions that may need full board attention. It also allows for ample preparation time for agenda and pre-read documents.

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c. The final meeting agenda is approved by the board chair or lead director.

Once the preliminary agenda is set it must be shared with the board chair or lead director for comments, additions, or deletions.

d. Board materials include the documents directors need to fully discuss agenda items; and a "reference" section for reports that may be discussed at the meeting, e.g. an investor relation reports, governance hot topics report, environmental scan.

Many of the agenda items will have "pre-read" materials. It is helpful for the board "binder" to include a reference section for these items. Alternatively, a paperless board portal solution will have a resource center that will contain all the important documents board members may need to reference. Items in this section will vary by company but often include investor relations reports (if not a regular agenda item), environmental scans, a summary of "hot" governance topics and management's current response. Other items may include: future meeting dates, an HR initiatives report, supplements to division reports, an insider trading reminder.

e. Board materials include the "CEO's introduction letter."

A good practice is for the CEO to prepare an introductory letter that is distributed along with the board materials. In it, she'll want to identify what she believes are the key topics the board needs to focus on along with what she hopes to accomplish at the meeting.

f. Board materials are reviewed for consistency prior to distribution.

This is an "internal" job and helps to avoid management embarrassment. The general counsel, corporate secretary, or other designee, reads through the management prepared board materials for consistency and typos. Some boards have pre-set guidelines for board reports, for example as the use of a "report format," double spaced, maximum length.

g. Board materials are distributed, most often through a board portal, one week prior to the meeting.

It's important that directors have enough time to read the advance materials. Many boards ask that materials be available at least one week before the meeting and some countries, such as India, mandate it by statute. There are occasions when there's a need for a last minute change or addition, but it's helpful to keep this to a minimum. If the secretary knows that a report will be late, a good practice is to send the materials, with a blank page marked to show a report is missing.

Board portals provide additional flexibility. Whenever meeting materials are ready, the reports can be quickly uploaded for

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review. Changes are instantly available. Whether directors have a set routine, or some time between flights, they can review their meeting materials on any computer, tablet, or phone.

h. The CEO calls each board member before the board meeting to confirm the director has what he needs for the meeting and to ask whether he has any questions.

It has long been a common practice for the CEO to check with the board chair or lead director a few days before the meeting to see if she can answer any questions or if there are any issues that needs clarification.

CEO's are frequently taking this a step further and calling each individual director. It's a good way to ensure that directors have what they need, and that the meeting runs smoothly.

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B. Best Practices For The Day of The Meeting

Meeting days are often action-packed. There's no need to stress. If you follow the tips here, you'll have an orderly, engaged, and productive meeting.

a. The meeting chair receives a "timed" agenda.

These days, board agendas are chock full and it's not unusual for a board discussion to go longer than intended. While directors must take all the time they need for agenda items, the board chair must also be respectful of everyone's time, and ensure that all key items are discussed. Often it is helpful for the chair to have a "timed agenda" that serves as a guide for how long discussions might run. Some companies give each director a timed agenda. Board portals include this feature for all directors to ensure meetings stay productive. This helps give everyone an idea of the schedule, and if more time is needed the chair can extend the conversation.

b. Directors meet in a closed session without management present (except for directors who are also members of the management team).

All boards make some use of executive sessions. It's often helpful to have a brief executive session prior to the start of the "full agenda." This gives directors an opportunity to know "what's coming" and to ask questions before others join the meeting.

c. The independent directors meet in executive session(s).

At each meeting, usually after the agenda items are complete and management is excused, the board will meet in an executive session with the CEO. Following this conversation, the CEO may leave (and the chair if she is not independent) and the independent directors will meet in a second executive session. As appropriate, it's important for the board chair or lead director to follow-up with the CEO after the executive session.

d. The board meeting agenda is 80% forward looking.

It is easy for the board's time and attention to be caught up in the rear view mirror syndrome. The propensity to focus far too much time on analysis and past events. While it's important for directors to hear a president's report, to review financials, and to hear progress on important company initiatives – these topics involve

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looking at what the company has already accomplished. Directors must spend most of their time looking forward – at the company's current plans and projected outcomes. The use of a consent agenda, especially for non-profits, can free up significant time to keep the board looking forward.

e. Key agenda items are linked to strategy.

Because directors must spend the majority of their time looking forward, key agenda items must be linked to company strategy. Management reports should highlight how the information relates to the strategic plan and how their report helps the company fulfill its goals.

f. During discussions, directors constructively challenge management and each other.

Historically, many companies had "review and approve" boards. There wasn't much discussion over agenda items, management presented and directors said "aye." In most boardrooms today, boards have progressed and there is meaningful discussion. The question is whether there's sufficient discussion – are directors comfortable challenging management and their board colleagues? Because the board acts as one, it's important to ultimately reach a consensus – however, before that consensus can be formed, most matters require sound debate. Directors must test the strength of management's arguments or challenge other director's point of view.

g. The chair periodically calls on directors to voice their opinions.

Many boards are composed of directors who quickly voice their thoughts and some who actively listen to the discussion and contribute less frequently. The directors who only listen throughout much of the discussion often provide insightful analysis – but their thoughts may be more helpful if given earlier in the discussion. A good practice for presiding directors is to directly call on fellow board members to share their views. The chair may direct questions toward a specific director and ask for their thoughts on a topic, particularly when the subject is within their field of expertise.

h. At the conclusion of the meeting, the chair asks these questions: "Did we accomplish what we needed to get done?" "What could we have done better?" "Did we have the right materials in advance?" "What key items should be on the next meeting agenda?"

These questions cut to the core of the work of the board. Did we accomplish what we needed to get done? If not, what's next – it must be decided whether the discussion wait until the next regularly scheduled meeting, a special meeting be set, whether more information is needed from management, should the matter go to a committee for review, or should an ad hoc committee be appointed?

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What could we have done better? Consider whether the meeting discussions were productive, and if not, what would have made the discussions better.

Did we have the right materials in advance? If not, what materials would have been helpful and should this information be distributed at the next meeting, or included on the board's portal for immediate reference?

What key items should be on the next meeting agenda? This conversation serves as a starting point as directors look forward to the next meeting.

i. Following the meeting (or the evening before) directors meet for a private dinner.

It's common practice for directors to meet for a private dinner before or after the board meeting. It helps to build camaraderie among directors and helps directors feel more comfortable constructively challenging one another during meetings.

Directors must also find the right balance between (a) private director only dinners, (b) dinners with only independent directors, (c) dinners with directors and managers who regularly attend board meetings, and (d) dinners that include a larger group of managers with the intention of directors getting to know potential executive management succession candidates.

j. Minutes from the previous meeting, assuming approval, are signed.

It is good practice that following a meeting that the recording secretary draft the minutes and send the draft to the board chair for review. The draft minutes should be sent, or posted for full board review, in a timely manner, often within a week of the meeting. The secretary will keep a marked copy of the minutes showing director comments and share this draft with the meeting materials for the following meeting. After approval by the board, the minutes are signed by the meeting chair and the secretary. Often the secretary will bring a clean copy of the minutes with her to the board meeting, and assuming approval, the minutes from the previous meeting are signed on the meeting day.

Board portals can streamline this process, allowing review and approval of the minutes directly within the software. This is useful to ensure the minutes are thoroughly reviewed, and it provides directors a searchable archive to reference past meetings at any time. Boards that utilize board portals will keep their previous minutes within their resource center to ensure past meeting minutes are always on hand.

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C. Post Meeting

Board meeting day is stimulating – both in intellectual discussion and activity. An unexpected event, whether a board agenda item is added or lunch isn't delivered on time, always happens. At the end of the day, directors and management are usually looking for "down time." If you've been following this guide the post-meeting to-do's won't take long – and will complete the "effective meeting" cycle and ensure the next meeting is better than the last.

a. Follow-up notes are promptly handled.

It's important to review your meeting notes as soon as possible. Sometimes it's a chore to look through notes soon after the meeting, but it always beats looking at the notes a week, or 3 months later when scribbles from long ago may have lost their meaning – or worse, an important task missed completely.

Keeping notes in a paperless board portal can simplify this task by indexing and making notes searchable. By taking notes within a digital board book, directors and other participants have access to a broad range of information to aid their effort. Documents such as previous meeting minutes and the annual budget are immediately accessible without having to flip through pages of paper.

b. Draft minutes are distributed within one week of the meeting.

If you are the recording secretary, the minutes must be drafted soon after the meeting. Some secretaries sketch the first draft of the minutes before the meeting simply to outline what may happen and then fill-in the outline after the meeting. Board portals that integrate with Microsoft Office allow secretaries to draft notes directly into the software. A good practice is to have draft minutes distributed to the board one week following the meeting. Use of a board portal makes the distribution and review of minutes more effective.

For directors receiving draft minutes, it's important to read and comment promptly.

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c. The "first draft" of the next meeting's agenda is prepared internally.

As previously mentioned, during the meeting debrief, the first draft of the next meeting's agenda is outlined. This outline includes director's comments from the previous meeting and events from the annualized board calendar. This early first draft simplifies the task of drafting the final meeting agenda.

d. The CEO's "in-between" meeting report is distributed.

Companies have many ways of keeping directors informed between meetings. One way is for the CEO to send an "in-between" meeting update that shares progress on strategic initiatives, successes, and challenges.

e. Other "in-between" materials are uploaded as appropriate, i.e. quarterly analyst reports.

For boards that use a portal, the task of staying current on company business is quick and convenient. Documents are posted in a timely manner and directors are notified when a new paper has been uploaded. Directors are able to read information at their convenience

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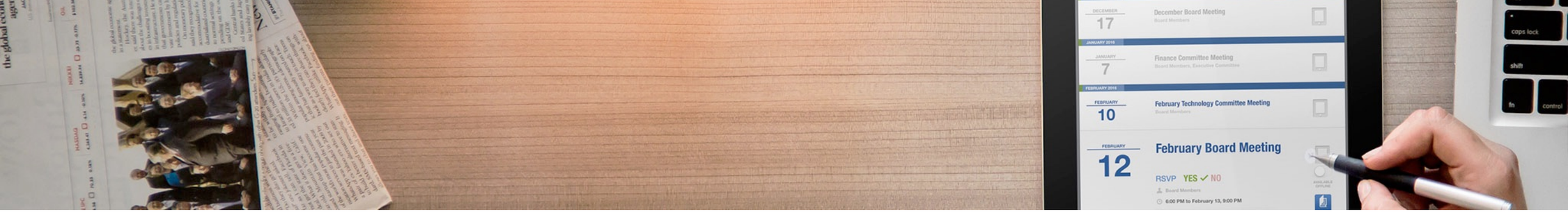

D. Meeting Resources

The most important meeting documents are the pre-read materials sent to directors prior to each board meeting. Directors have to carefully read this information and come to each meeting prepared. As directors prepare, they are reminded of a past board topic or an analyst report they read – use of a board portal is often the most efficient solution for easy access to items such as past minutes, governance guidelines, and third-party reports.

a. The board has easy access to past meeting agendas and supplemental materials.

Directors prepare for meetings by reviewing the meeting agenda and reading the prep materials. Sometimes, in doing this pre-work, it is helpful to reread the minutes from past meetings or to re-read past operating reports. The easier these documents are to locate, the more likely a director will reference them, the more prepared she will be, and the more likely it is the board that will have an effective meeting.

The easiest way to ensure access is through the use of board meeting software. Board portals provide directors simple tools that make reviewing materials more organized and director friendly. Notes and annotations are organized and searchable.

b. The board's annualized calendar is a reference document.

The annualized calendar is an organizational tool that sets out when the board needs to do over the coming year. It addresses the board's recurring duties, items that must be addressed at each meeting and other items that need to be addressed annually and periodically. Event examples include; when the directors discuss the officer and director nominations, when it reviews the ethics policy, when it receives the risk management report, when it approves CEO pay, and when it conducts the board evaluation. The calendar is also used when drafting the board agenda.

c. Governance Guidelines and committee charters are easily accessible.

Most boards have Governance Guidelines, the rules of the road that guide the board's work. Charters outline the purpose and recurring duties of each board committee. When preparing for

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meetings, directors sometimes review these documents to confirm current activities are on point.

Important documents can be easily stored and searched within a board portal's resource center. Whenever directors need to reference the by-laws, the charter, or the annual budget, your board's key materials are all housed directly within the software.

d. Significant policies (i.e. conflict of interest statement, ethics, insider trading, document destruction, delegation of authority) are easily accessible.

These policies may not be referred to often, perhaps only annually, but when needed, ease of reference is appreciated. A centralized resource center within a board portal is helpful place to store these documents.

e. The Articles of Incorporation and By-Laws are easily accessible.

The Articles and By-Laws may only be reviewed periodically, but when needed, quick access is helpful. A board portal makes this process simple, searchable, and helps directors use their time more effectively.

***f. Third party reports are easily accessible*.**

Examples include investor reports, governance thought pieces, news articles, and competitor benchmarking. By utilizing a board portal, you can keep all your important documents in a single, searchable location.

***g. Director and management contact information is easily accessible*.**

While most directors will have colleague's names in their contact lists, an easy reference sheet maintained and updated by the company has proven useful. Director profiles within a board portal make finding your colleagues contact information simple and intuitive.

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Conclusion

The board meeting is the place where directors and management obtain and exchange information, establish company objectives, and make decisions on strategy and value creation. Take the time to review the foregoing practice tips, think about all your board does right and about what it might do to increase effectiveness. As a board, directors, and those who assist the board, must continue to develop and update processes. Consider what your board of directors could do better as it prepares for an informed discussion at your next board meeting.

The work of the board is to ensure positive company results – and, effective board meetings are essential to the success of the company's value creation strategy.

Use of This eBook

If you found this eBook useful, share it with your directors and staff that assist with board meeting preparation. A digital board portal will help your directors become more effective and your secretaries more efficient. Unlocking the full potential of your board meetings, Passageways' OnBoard will ensure your directors and secretaries get the most out of their time. Its tools make you a better informed and knowledgeable director. Its world-class security protects your organization from digital threat.

OnBoard is the only solution to offer a free, no obligations, trial. We'll get you set up and ready for your next meeting in less than an hour. Give us a call at 765.535.1880 to see what a board portal can do to improve your board meetings.

About Us

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About Passageways:

Passageways is the leading SaaS provider of secure enterprise collaboration software. OnBoard, the world's most intuitive board portal solution works seamless across PC's, Tablets, and Phones to ensure that company executives, board members and corporate secretaries can easily produce and securely share critical and time-sensitive board information. Board Members instantly receive real-time updates to the board books and use intuitive functionality like search, notes & annotations to easily collaborate with other members of the board. More than 50K employees, leaders and board members across 500+ enterprise customers use Passageways solutions for easy and secure enterprise collaboration. Passageways was founded in 2003 and is headquartered in Lafayette, Indiana.

For more information on OnBoard Board Portal visit: www.passageways.com/software/board-portal/

Governance Solutions Group:

The Governance Solutions Group is a board advisory practice with a focus on helping directors increase board effectiveness. Typical engagements include facilitating the annual board and committee evaluations, and director peer reviews; developing director education plans; sharing implementation ideas for new board governance practices; and bringing new perspectives to board refreshment and succession planning. GSG breaks down the complexity of good board governance and helps directors consider, "how do we do what we do" and "how can we direct better?"

For more information visit: www.gsgboards.com