

# DON'T BORE THE BOARD

Presenting to the most senior executives in an organisation may seem daunting, but well-prepared treasurers can use it as a chance to shine, says Jean Pousson



“What on earth was that guy on about? Did anyone understand him?”

This was the response of a newly appointed marketing director attending his first board meeting and reacting to a presentation by the director of the assets and liabilities committee of a retail bank.

The above reaction, which I was privy to, is atypical in the sense that directors are usually wary of exposing their lack of knowledge in front of other board members. Claiming ignorance while being paid for your experience and knowledge can almost feel fraudulent. So many directors abstain.

Having said that, anyone presenting technical board papers needs to appreciate that their directors may not be as *au fait* with the details of their content as they are. No one can assume that all directors will necessarily understand the full technicalities contained in any presentation. Posing direct questions such as “Does everybody understand this?” in an open forum doesn't always work. Over the years, directors who feel uncomfortable about finance have told me: “We don't want to ask the question because we are petrified about the potential answer.”

A topic that makes it to the board meeting merits the board's full attention and understanding from all its members.

Blind faith and reliance on one or two experts is not good practice, no matter how good they may be. Likewise, the experts are not there as technical translators either. The papers should not be for them and only for them.

Here are some practical tips for preparing for that important board meeting:

- ◆ Make sure your paper is prepared well in advance of the actual meeting so it can be circulated – don't leave it till the day before. The directors will appreciate having sufficient time to review it and to consider any pertinent questions.
- ◆ It might be a good idea to ask a colleague to review your paper before submission. They may pick up on inaccuracies or issues of clarity that could save you the embarrassment of having to field awkward questions from directors. It will also help if your colleague does not share your technical background. There's a good reason why it's better that people who

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decide where to put up traffic signs don't live in that town. They will be less likely to make assumptions of knowledge that will not work for, or help, out-of-towners.

#### **Format of a board paper**

A good board paper should have a format like this:

- ◆ Agenda item and sponsor. Name, title and contact details.
- ◆ Draft resolution. This should comprise the exact wording of the resolution that the board will hopefully approve.
- ◆ Executive summary. Summary means just that: is this paper for discussion, decision or information? What is its real purpose? Use clear and concise language and ensure that the summary is no more than one or two paragraphs long.
- ◆ Background. This is important. What is being proposed? Why? What events have led to this proposal? What is its history and background? Who has been involved in it? Can all the information be validated (relatively quickly)? Has there been any external and professional input?
- ◆ Strategy. Is the proposal in line with the current strategy and business model? If the decision is taken, will it be easy to sell to investors? Will all other stakeholders – for example, staff – respond favourably as well? What about the media? Will it



## MAKING BOARD DIRECTORS BETTER

It is not just those who present to the board who often need to be better prepared. Board members themselves often lack core skills, particularly financial understanding.

Newly appointed directors should receive proper induction on their appointment. Typically, this takes the form of understanding their legal responsibilities as a director, while directors who are new to the company will also undertake a familiarisation process to get to know the business. But although this is considered good practice, it is insufficient. There should also be a requirement to address any potential technical gaps in directors' knowledge. Directors should be forced to beef up their finance and other technical capabilities to enable them to perform to a level that their position demands.

The Institute of Directors' Chartered Director qualification can be a useful part of this process. It not only forces directors to raise their game, but also creates a permanent requirement for an annual continuing development programme.



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pass a robust strategic checklist? You may need to run this part of the proposal past your sponsor or at least one other director, as some of the variables may be unknown to you.

◆ **Financial implications.** Are all (repeat: *all*) the directors comfortable with the technicalities of this paper? What has been done to ensure that? Is the flow of information logical? Is the presentation user-friendly? Have all assumptions been validated and explained? Supporting financial information should be easily accessible and not crowd out other facts.

Key financial questions need to be aired. Will the proposal contribute to shareholder value? How is it being measured? Will the projected return exceed the company's cost of capital? Is this a good allocation of capital? Have other options been considered as well? Are there any funding requirements? What about cash flow implications?

Are the timings well understood? Are they in line with budgets? What is the financial downside here? Support from the finance director is crucial here since he or she *will* be asked those questions.

◆ **Risk.** What are the major risks? Who says so? What is the evidence? Has there been an intelligent impact/probability analysis? Has the risk been graded as low, medium, high, etc? Is the proposal in line with the company's current risk appetite? Has the risk been properly monetised – ie has the board been made fully aware of the financial impact on the revenue, profitability, cash flow and, ultimately, value of the worst-case scenario?

Research suggests that even when organisations consider the worst-case scenario, they still take a 'comfortable' worst-case scenario – one we can cope with. But 'worst case' means just that. It is about thinking the unthinkable. A volcanic ash cloud grounding air traffic, and an earthquake and nuclear reactor meltdown demolishing existing supply chains come to mind.

◆ **Corporate governance, legal and compliance.** These considerations may seem obvious, but they are often taken for granted. The point needs to be made that the proposal complies. The company secretary should be able to help.

◆ **Responsibility and implementation.** Who is responsible? Who will drive the proposal? What changes will occur as a result? Is it in line with current culture and values? What reporting mechanism will be put in place? What will the board see in future in that respect? What are the timelines?

◆ **Signature.** From the chief executive and project sponsor, with a list of who else has been involved in preparing the paper (including job titles and contact details).

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In addition to the earlier questions about lack of understanding, a sure sign that the paper or presentation was not up to scratch is when more information is being requested. So why not have a dry run – actually present it to a senior executive or even a director first? Take the temperature and see what the early reaction is.

Good luck. ♥



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