

# BOARD PERSPECTIVES

ISSUE 184

## Are Your Board Materials Highlighting What's Really Important?

Board materials have long been an issue, from their length to lack of conciseness. What makes this issue one to address with intention is the current competitive, digital and data-driven environment, which leaves less time to make decisions due to the pace of change.

Directors want more strategic emphasis and less operational detail in boardroom prep materials and discussions. Yet, we continue to hear board members express the view that the materials they receive in advance of and during scheduled meetings are voluminous to the point of obfuscating what's really important.

- In a recent study, only 30% of board members said they serve on boards with effective processes for sharing information and aligning on tasks and activities to achieve a collective goal.<sup>1</sup> Thus, aspects of meeting discipline are getting in the way of directors contributing as much as they would like on the most relevant strategic topics. Only 10% of directors

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<sup>1</sup> "Ready to board: Ascending new heights through CEO-board communication," by David Honigmann, Celia Huber, Eric Sherman and Nina Spielmann, McKinsey, April 16, 2024: [www.mckinsey.com/locations/mckinsey-client-capabilities-network/our-work/strategic-and-change-communications/the-communications-exchange/ready-to-board-ascending-new-heights-through-ceo-board-communication](https://www.mckinsey.com/locations/mckinsey-client-capabilities-network/our-work/strategic-and-change-communications/the-communications-exchange/ready-to-board-ascending-new-heights-through-ceo-board-communication).

believe they have a solid understanding of the dynamics of their industries, and just 21% fully understand how their business creates value. The upshot: Boards need help to stay abreast of business fundamentals and relevant industry trends.

- Another study discovered that pre-meeting board books can range from 200 to more than 900 pages and that 36% of directors believe board agenda materials require a reset to help them prepare for the right discussions on the right topics during board meetings.<sup>2</sup>
- A third study from Board Intelligence and the National Association of Corporate Directors (NACD) found that fewer than one in five directors view their pre-meeting board books as “extremely effective” at enabling strategic discussion (15%) or communicating insights (17%). And three in five directors (59%) report three or more areas of concern in the board books they receive (e.g., too operational at the expense of strategy, too internally focused with little insight into the wider market, too backward-looking, light on risk reporting and lacking the implications of the information presented).<sup>3</sup>

**The message is clear:** Directors want to read concise, compelling materials, listen to crisp presentations and engage in strategic conversations with management on topics that matter. They want the information given to them in advance of and during board meetings to be packaged and presented thoughtfully so they don't have to scan the entire waterfront. This is consistent with the role of the board to focus primarily on setting strategy, monitoring the execution of strategy, and understanding the extent of changing market fundamentals and their implications for the future. Getting mired in the day-to-day specifics of operating the business is not where most directors want to focus.

## Why Does This Issue Persist?

Directors have expressed concerns about board materials for many years. So, why does management continue to inundate board members with noncritical information?

One of the aforementioned studies notes that, because board books are highly sensitive and confidential, it is difficult for directors to benchmark the information they receive from management against materials received by the boards of other companies.<sup>4</sup> While that lack of transparency may be a contributing factor, many directors serve on multiple boards, which gives them a broader perspective on board reporting practices.

<sup>2</sup> “Board Materials: Due for a Makeover?” by Jane Stevenson and Joseph E. Griesedieck, Korn Ferry: [www.kornferry.com/insights/briefings-for-the-boardroom/board-materials-due-for-a-makeover](http://www.kornferry.com/insights/briefings-for-the-boardroom/board-materials-due-for-a-makeover).

<sup>3</sup> “Board Packs: The Elephant in the Boardroom,” Board Intelligence and NACD, September 19, 2024: [www.nacdonline.org/all-governance/governance-resources/governance-research/director-faqs-and-essentials/board-packs-the-elephant-in-the-boardroom/](http://www.nacdonline.org/all-governance/governance-resources/governance-research/director-faqs-and-essentials/board-packs-the-elephant-in-the-boardroom/).

<sup>4</sup> Ibid.

There are likely other reasons, too, such as:

**Lack of understanding the audience:** This is the classic root cause of most communication issues. Directors don't need or want the whole nine yards, just the skinny. Brevity of content and concise, to-the-point discussions of critical issues find favour in the boardroom — just as they do in the C-suite. Imagine the reaction of a CEO who receives a 900-page report on multiple issues, including some requiring timely action.

**Inability to separate the details from the crux of an issue:** Board-facing executives may not understand how to distinguish the most relevant information for directors. Approaching the board with territorial and bureaucratic thinking without regard to the big picture can contribute to excessive detail. As Albert Einstein said, "If you can't explain it simply, you don't understand it well enough." When in doubt, either place supporting details in an appendix or make them available upon request.

**Cultural emphasis on transparency:** Management may tend to provide all available information in the interest of full disclosure, without regard to importance. Overcommunication may be a cultural norm, and because regulators and the courts have been known to cite management failures to inform the board timely, it could be a result of management's intention to reduce the risk of allegations of withholding information.

**Preparation efficiency:** Board-facing executives may be leveraging materials used internally and are not repackaging such materials with the intent to present the content to the board in a thoughtful, focused and concise manner. Thus, the tone of reporting misses the mark.

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## A Call to Action

Addressing this issue is a two-way street. In the end, it is about knowing the audience. What do the directors want? What are their preferences when absorbing information? Do they prefer visuals or text or both? Would it be useful to provide distinctive headings, simple language, consistent formats and explanatory narratives alongside graphs and tables? Board report preparers should be guided by a framework that is responsive to the content and tone desired by the board.

Getting the answers begins with the CEO, who is ultimately responsible for effective communication with the board. The board chair or lead director is also responsible for ensuring meetings are well-planned and supported with quality materials. To maximise the value independent directors contribute, it is in the CEO's best interest to listen to director feedback on improving boardroom discussions and engagement and address that feedback positively and constructively. And it is in everyone's interest for directors to consider whether meetings are stimulating and productive.

The following six steps can help board leadership and the CEO keep board meeting agendas and supporting materials fresh and relevant:

**Focus on strategy and strategic impact.** Ensure that management's strategy and execution plan have been clearly articulated. Such clarity enables board-facing executives to focus on what the board needs to know about (a) what is going well for the company, (b) what is not going well and (c) what is being done to take corrective action to get back on track. Board materials should cut to the chase by addressing these points with an emphasis on (b) and (c). They should also focus on relevant changes in the marketplace to encourage critical thinking about the future and its implications to the strategy. As a matter of emphasis, it helps to keep in mind the adage "Bad news should ride the elevator and good news should take the stairs."<sup>5</sup>

**Reevaluate the design of board books and reports.** To ensure they are suitable for today's digital, dynamic and data-driven world, board books should stimulate thinking, facilitate learning, challenge paradigms and draw out the best advice from independent directors. If directors are overwhelmed by voluminous materials, these objectives cannot be accomplished. Consider the following overall design points:

- Clearly state each agenda item's purpose. What are the intended actions or requested feedback? Is it to agree on a decision, approve a policy or report, review performance, debate an issue, define viable options, allocate capital, or educate the directors?
- Provide concise executive summaries that articulate a strategic context and a crisp summary of a topic's relevance and key insights. Offer pre-meeting briefings on particularly complex issues. Clearly identify and explain opportunities and risks. When there are choices to be made, provide the board with a balanced view of potential challenges and strategic options. When appropriate, include proposed recommendations.

<sup>5</sup> A statement attributed to Ajay Banga, the former president and CEO of Mastercard and current president of World Bank Group.

- Present information in a digestible format that resonates best with the board. Consider using charts, graphs and tables, where appropriate, to illustrate trends and support the narrative.
- The aforementioned Board Intelligence and NACD study recommends each report in the board book “set the scene” with a context statement explaining the topic’s relevance, a link to the organisation’s strategic goals, a direct ask to the board for their contribution, and a summary of key actions with owners and deadlines.<sup>6</sup>

If an issue is not strategic and does not require the full board’s attention, it should be either left out of the board book, moved to the appendices, or considered by the appropriate board committee.

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**Establish a feedback loop for board members to suggest improvements.** Directors should be encouraged to speak up if they have concerns about the materials received as well as their preferred styles of communication. Following is an illustration of a feedback mechanism:

- The board chair or lead director obtains feedback periodically from individual directors in executive session in an open conversation to identify the two or three things to consider in the next meeting that will help sharpen the focus on strategy, market developments and the future, all in the spirit of continuous improvement.
- The board chair or lead director then shares with the CEO what was discussed and suggests the changes necessary to engage the board more effectively on strategic, forward-looking issues and enable the directors to contribute greater value to the CEO and executive team during board meetings.
- If appropriate, the corporate secretary can facilitate this process.

The intended outcome is to build a bridge of collaboration with the CEO and create clarity in the boardroom for the independent directors and board-facing executives.

<sup>6</sup> “Board Packs: The Elephant in the Boardroom.”



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**Focus on questions directors are likely to ask.** Board book preparers should anticipate relevant questions to enable boardroom discussions to cover important ground. For example, address whether other options were considered and whether there are nonfinancial implications.<sup>7</sup>

**Pay attention to the timing of board book distribution.** Regarding timing, 35% of directors say reports are not distributed early enough to enable adequate review.<sup>8</sup> Management and directors should seek alignment on this point.

**Ensure sufficient director engagement in the boardroom.** This point is relevant because of the importance of striking the appropriate balance of time allocated to formal presentations and strategic conversations. The bottom line: Directors want sufficient airtime to engage with management.

As noted in the proxy disclosures, each board member has a seat in the boardroom for a reason. When organising board meetings, it is up to board leadership and the CEO to consider board members' diverse skills, experiences and perspectives. Proper planning can identify key topics of interest to the full board and various board committees, focus materials provided to board members before and during meetings, and jump-start discussions that leverage directors with the requisite expertise on particular topics.

The above discussion provides suggestions for channeling the board's energy and effectiveness as strategic advisers. The suggestions offer a discipline for excellent board operations through a shift from presentation to collaboration that is respectful of the sanctity of board members' time. As an author of one of the aforementioned studies noted, "Board reporting materials should be a strategic tool instead of an administrative exercise for directors."<sup>9</sup> Voluminous materials are not fit for purpose in today's competitive, digital and data-driven world, as they force board members to use their own personal filters to sift through the information provided to identify what they believe to be relevant.

On the other hand, providing directors with focused, concise, forward-looking and balanced on-strategy materials with actionable insights will facilitate effective board meetings. It also speaks highly of the management team.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

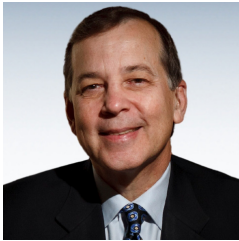
<sup>9</sup> "Board Materials: Due for a Makeover?"

## How Protiviti Can Help

Protiviti assists boards and executive management with assessing enterprise risks and the organisation's capabilities for managing those risks. We help companies identify and prioritise their risks, including emerging and disruptive risks that can impair their reputation and brand image and erode enterprise value.

We assist companies with integrating their risk assessment process with their core business processes, including strategy-setting. We work with boards and board committees in reviewing their governance practices and facilitating board and C-suite retreats. We also help organisations improve their risk reporting to better inform the board's risk oversight process.

## About the Author



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Jim DeLoach is a founding managing director at Protiviti. Based in Houston, he has more than 35 years of experience assisting companies in multiple industries with improving their corporate governance and enterprise risk management. He is well-known for his commentary on many governance topics.

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