



## BOARDWORKS *International*

### **Why the Chief Executive's Report Should Not Dominate the Board's Meeting (and How to Make Sure)**

Many board members express dissatisfaction with the quality of their board's meetings. A common concern is that each meeting passes without the board really engaging in an effective dialogue about the matters that go to the heart of the organisation's purpose and its actual or prospective achievements. As has been eloquently stated:

*Effective governance by a board of trustees is a relatively rare and unnatural act... Regrettably, most boards just drift with the tides... high powered, well-intentioned people engaged in low-level activities. The board dispatches an agenda of potpourri tied tangentially at best to the organisation's strategic priorities and central challenges.<sup>1</sup>*

An explanation for the truth of this statement can often be found in the common and deliberate practice of many boards to drive their board meetings off their chief executive's report. There is a lot that can go wrong when the chief executive's report assumes too great a prominence or is simply taken too early in the sequence of the agenda. For example:

- Because the chief executive's report is often about relatively immediate operational matters the board can easily become bogged down in detail right from the start of the meeting.
- Directors are encouraged to think that main purpose of a board meeting is to be briefed by the chief executive about 'what is going on' in the organisation.
- In relation to this directors can think that their principal responsibility is to scrutinize and review management actions (after the fact) (*See also the lead article Through the Eyes of a Director*).
- If one or more directors are 'liverish' about aspects of operational performance this is likely to put the chief executive on the defensive. This can colour the tone of the rest of the meeting. Other directors might then find themselves drawn into 'the band wagon' of criticism or complaint.
- The board's dialogue has a tendency to be ad hoc, undimensioned and reactive depending on what is covered in the chief executive's report and how directors respond on the day.

- The board's discussion can ramble and be 'hit or miss' in terms of getting to grips with really *important* issues (as opposed to those that simply attract directors' attention). There is a far higher probability board meetings will be 'side-tracked'.
- The discussion of the chief executive's report can lack purpose. Is it to elaborate on what is already written down and more fully inform the board, to inform the chief executive (in terms of directors' reactions), to direct the chief executive, to assure the board that matters are in hand, and so on?

As a consequence of these and other pitfalls, it is easy at the conclusion of the discussion for the outcome of the board's consideration of the chief executive's report to be vague and ill-defined, especially in terms of subsequent, if any, action.

The chief executive seldom has prior notice about the types of issues that will be raised or the additional information that might be required to satisfy directors' inquiries. At the very least, this heightens members' sense that board meetings are unproductive and/or inefficient. Similarly, the chief executive's frustration with the contribution of the board is greater than it might be. The chief executive's preoccupations (or what he/she *thinks* the board may be interested in) can dominate the board's 'head space'. Inevitably, this will be at the expense of the board determining for itself, albeit in collaboration with the chief executive, what are the most important matters on which it should deliberate so it can add real value to organisational achievement.

Further the board can become predominantly passive and reactive to the issues covered in the chief executive's report and the way these have been framed.

These risks to the value of the board's meetings can be managed in several ways:

- **By ensuring the content of the chief executive's report speaks to governance-level concerns.** By definition this is a report that should inform the *board's* meeting. In reality, many chief executives' reports are little more than a narrative history of the activities they have been involved with for the past few weeks or a piecemeal collection of their line managers' reports. Worse, they may simply be a random collection of 'tid bits' about what is going on in the organisation.<sup>2</sup> We strongly agree with one respected chairman we work with who has the view that the chief executive's report should give the board 'the headlines' thus acting as an overview that creates a helpful context for its other, pre-scheduled board discussions.
- **By ensuring the chief executive's report is pre-circulated in ample time for study by directors.** Any director wishing to have an aspect of the report discussed by the board can then be expected to put both chief executive and chair on notice well ahead of the day of the meeting. This practice ensures that neither chair nor chief executive might have reason to feel they have been 'ambushed'. The chair can determine whether, in terms of priorities the board (hopefully) has already agreed, it is, indeed, something that justifies board attention. The chief executive can be prepared to respond appropriately. Teamwork and trust around the board table, and between board and management, is enhanced.
- **By ensuring that the 'chief executive's report' is primarily thought of as 'for information'.** In other words it is just part of the scene setting for the meeting. Any matters that justify the time and attention of a substantive board discussion or strategic

dialogue, or that relate to important board monitoring responsibilities, should not be 'buried' in the body of the chief executive's report. These should be the subject of separate agenda items supported by purpose-specific reports and, as appropriate, recommendations.

- **By positioning the chief executive's report towards the end of the sequence of agenda items.** Because the report is written and pre-circulated any matters it covers that are relevant to specific agenda items considered earlier in the meeting will automatically be informed by the report.
- **By ensuring the chief executive's report is well written and self-explanatory.** Many of the chief executive reports we see appear to have been thrown together at the last moment (quite possibly not even by the chief executive) and raise more questions than they answer from a governance perspective.
- **By ensuring that there is no 'regurgitation' of the chief executive's report.** There should be no need for a lengthy presentation or, even worse, a verbatim 'reading' of the report. It should always be assumed that all directors have read all reports prior to arrival at the board meeting. Not only is presenting the report in detail a waste of time it is also an insult to those who have prepared properly and digested the material in advance.

When the board's meeting is dominated by its chief executive's report there is a high chance that considerable unplanned time will be taken up by matters to which the board can add little value. This will be at the expense of time devoted to a thorough consideration of those matters which are central to the discharge of the board's governance responsibilities.

In this article we have described some of the reasons why this might occur and proposed some actions to manage this risk. We might have gone even further and asked '*Why have a chief executive's report at all?*' We would certainly be interested in readers' responses to that idea.

1 Chait, Richard P, Thomas P Holland and Barbara E Taylor (1996) *Improving the Performance of Governing Boards*. Phoenix, Oryx Press

2 We freely admit that as senior executives we have committed such sins ourselves in the past!