

## *Whoever Controls the Agenda – Controls the Board: The Importance of an Annual Board Plan*



In today's increasingly complex world, the pressures and requirements placed on directors are growing exponentially. There are volumes written about the importance of the board's role in developing, implementing, and then monitoring the organisation's strategy. Yet when it comes to how the board should develop, monitor, and implement their own *Annual Board Plan (ABP)*, through which the board can monitor and make sure it's focusing on its core roles and what it identifies as critical to the entity, there is little that provides guidance.

### *Why have an ABP?*

Research, observations, and company failures have identified that boards can easily become mired in the unimportant. While losing sight of the changes that are slowly but inexorably overtake them while they have their head down in the present. An ABP helps refocus the board on the identified imperatives.

If you were to grab ten board agendas from any entity (NFP or business) you choose, they would look similar, no matter the size of the entity. This level of similarity is particularly evident in the NFP sector. In fact, according to research by McKinsey, board agendas have remained remarkably like those from a century ago, when the second Industrial Revolution was at its peak.

The outcome from a failure to adapt agenda management to today's needs. Results in many boards becoming docile passengers on the journey of agenda development. Leading to meeting agendas being controlled by the CEO and executive. This often results in directors being subjected to a choreographed range of presentations, with time allocated afterwards for questions. Followed by the director's ratification of the executives' recommendations. Job done!

Another outcome is that directors are guided via the CEO and executive led agenda to spend much of their time looking in the rear-view mirror at quarterly reports, budgets, compliance, etc. Instead of looking forward to the crucial matters that are moving towards them at 100 miles-per-hour.

Why is that? Because boards do not control their agendas as they should.

### *Controlling the flow of information*

Possibly a more concerning outcome from the lack of a ABP is the CEO and executive, if desired, can control the flow of information to the board. Among those that prepare board packs, it is well known that there are, if needed, two effective ways of keeping a board in the dark. First, you can give them too little information or, conversely, overload them with data and papers. A director once described to me his own experience on the board of an NFP: "I received my first board pack, it was over 200 pages, 4 days before the meeting, which was scheduled for 5 hours, how was I to absorb, understand and be prepared, it was a joke."

As highlighted by that director and contrary to belief. The trend towards shorter meetings doesn't sharpen the focus of directors but more often reduces a director's ability to dissect and discuss the issues at hand. Which serves to further restrict the ability of directors to be future focused and fulfilling their fiduciary and other duties properly. It's as if the push to have shorter meetings has led directors to snack on the board pack, rather like a buffet, selectively choosing what to read. Which

means the director and collective board are not as prepared and informed as they should be. I am sure you have experienced these outcomes.

Next time you get a huge board pack, reflect on the quote below from Roberta Wohlstetter, one of the USA's best historians of military intelligence. Which highlights how an overload of data led the USA to miss the signals of the impending Pearl Harbour attack:

*“We failed to anticipate Pearl Harbour not for the want of relevant materials, but because of the plethora of irrelevant ones”*

### *Developing the plan*

To make sure there is no ambiguity, the ABP is the 'Board's' plan. Developed in collaboration with the executive. The development of the ABP cannot be assigned to anyone outside of the board.

The key to a good ABP is that the board develops this with a view to explicitly ensuring oversight of the areas critical to achieving its organisation's purpose. Along with those other items, the board wishes to have oversight of including the metrics and milestones that signify the entity is on its strategic track to success. Starting with a focus on the organisation's purpose will make sure the board spends most of its time with their collective eyes firmly focused on the future.

### *Looking to the horizon*

It is true the ever-increasing compliance and regulatory workload placed on boards is front and centre in the minds of directors. So much so, they forget that one of their core functions is to look out further across the horizon than anyone else in the entity. Board members should look over the horizon more than they are looking in the rear-view mirror. Because often the CEO and executive are mired in the issues of the day and miss the clouds of change building on the horizon. It is a responsibility of the board to be a good weather forecaster.

### *Structuring the board plan agenda*

When studying Figure-1, it will become obvious to readers how a well-structured ABP assists the board's focus. The light-purple part depicts a typical board agenda, which is focused on fiduciary responsibilities. In contrast to the dark-purple agenda items, highlight how a calendar with a future focus looks. Having this future focus requires a well-functioning and developed board of directors who commit the required resource (cognitive time) and actual time.

Not that a board's fiduciary duty should be ignored, but it should not be the only space that the board spends its time. Figure 1 highlights the five key areas boards should include within their ABP these are:

1. Corporate control, fiduciary
2. Shaping
3. Reinvent board
4. Decisions
5. Board education and team building.

It is important to stress that this planning process does not have to be an onerous task. The ABP can be a simple checklist as shown in Figure 2. Or it can be a simple spreadsheet as provided in our template. It doesn't matter the form it takes. The critical outcome is that the board thinks about and then identifies its key areas of future focus. Boards should be the organisation's signpost, always

clearly and carefully articulating and focusing on the entities' future place. An ABP will aid the board in this task by driving meeting agendas.

### *Timing*

The timeline required for developing an annual board plan is flexible, but most often follows a calendar year. However, that should not stop a board from using a planning timeline that is influenced by the board's future focus and the entities' financial and operational requirements.

The emphasis must be on developing an ABP that is relevant, and fulfils the boards' operational and oversight responsibilities, alongside their compliance, legal, regulatory, and reporting obligations for the entity. While remaining stubbornly future focused.

An ABP will vary according to the sector in which the entity operates, but even within an industry sector, the board ABP will be unique. Based on their focus, direction and how they see the future of their sector and entity. Alongside their size and governance maturity and stage of evolution. The one certainty is that the calendar will change annually as the entity develops and its needs change.

### *Key planning tips*

The following are tips for developing your own calendar:

- Start work on the next year's calendar in advance so that they can complete drafts and final approval before the end of the current year.
- Try to align board committee work (Audit and Risk) with board meetings.
- Lock in key compliance or statutory reporting requirements
- Directors are often heavily committed. The earlier you can lock dates and times for board and committee duties in their calendars, the better.
- The calendar must flow. Carefully review the requirements for any scheduled action to make sure that if it requires an action to have occurred before its required. The action is identified and planned to be completed in advance.
- Arrange the ABP schedule to spread the workload throughout the year.
  - Anticipate time requirements for identified components, including lead time for preparation of papers, etc.
- Make sure you include any other events or functions directors are expected to attend, e.g., two-day strategic retreat, major supplier and or customer events.
- Build in slack to the ABP to allow for emergencies, etc.
- Be considerate of the executive. If a paper is going to put a heavy demand on their time, consider the other important commitments and responsibilities they have before setting the deadline.
- A board calendar is a living document which should develop in response to changing priorities and needs over the year.
- As required, the Chair and directors can review past agendas and board minutes to find out how well they are adhering to the developed ABP.



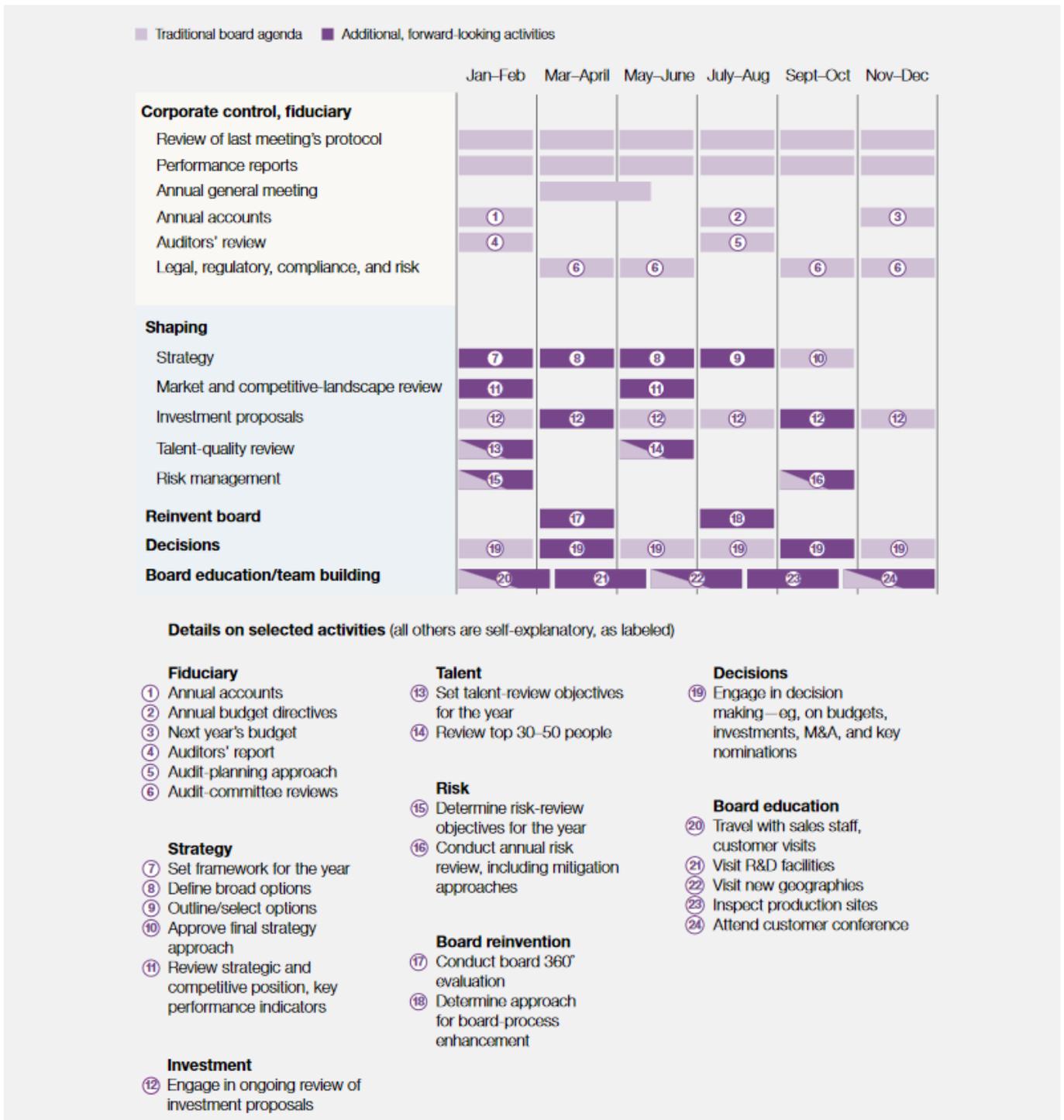


Figure 1: How forward-looking boards should spend their time<sup>1</sup>

When reviewing Figure 1, remember they developed this template with large organisations in mind. You should scale it to fit your organisational size, e.g., under the heading Talent (14), it suggests you review 'The top 30-50 people'. Obviously, this isn't applicable to 99% of organisations. My suggestion is to change this to 'Senior leadership team'.

<sup>1</sup> The Board Perspective: A collection of McKinsey insights focusing on boards of directors - August 2016

Annual board calendar – Meeting Effectiveness – Australian Institute of Company Directors (AICD)<sup>2</sup>

	J	F	M	A	M	J	J	A	S	O	N	D
<b>A. Board meetings</b>												
<b>1. Strategy</b>												
Planning				X								
Adoption						X						
Review/monitor implementation												X
<b>2. Budget (annual)</b>												
Development					X							
Adoption						X						
Review/monitor											X	
<b>3. CEO oversight</b>												
Approve performance KPIs						X						
Performance assessment		X										
Succession planning							X					
Remuneration									X			
<b>4. Monitoring and supervision</b>												
Review board reporting requirements		X		X		X		X		X		X
<b>5. Risk and compliance</b>												
Review of risk management systems		X			X			X			X	
Review of major risks			X			X			X			X
Review of compliance systems			X									
<b>6. Policy framework</b>												
Corporate governance charter												
• Compliance/monitor/review											X	
Committee terms of reference												
• Compliance/monitor/review											X	
Major policy review												
• Remuneration		X				X			X			
• Risk management			X			X			X			X
• Delegated financial authority		X			X			X				
• Delegations												
• Compliance policy			X									
• Code of conduct						X					X	
• Shareholder/stakeholder communication policy		X						X				
• Other (list other policies)												

<sup>2</sup> Director Tools: Meetings Effectiveness - Annual Board Plan – Australian Institute of Directors (AICD)

	J	F	M	A	M	J	J	A	S	O	N	D
<b>7. Board review</b>												
Composition/succession		X										
Evaluation of performance						X						
- Board						X						
- Chair						X						
- Individual directors						X						
- Committees						X						
Remuneration									X			
<b>8. Governance issues</b>												
Audit report										X	X	
WHS report										X	X	
HR report												
ICT report				X	X				X			
Environmental report		X	X	X	X			X	X			
Risk management report			X					X				
Legal report												
Business continuity/disaster/crisis planning report											X	
<b>9. Performance review/monitor</b>												
Strategic			X				X				X	
Operational		X						X				X
<b>10. Operational issues</b>												
Overall operations report		X	X	X	X	X	X	X	X	X	X	X
Significant project report		X	X	X	X	X	X	X	X	X	X	X
Significant business development reports		X	X	X	X	X	X	X	X	X	X	X
<b>11. Financial issues</b>												
Financial performance (revenue/expenses/cash flow)		X	X	X	X	X	X	X	X	X	X	X
Capital requirements			X						X			
Treasury management			X						X			
<b>12. Capital markets issues</b>												
Investor/analyst/broker relations		X						X				
Shareholder communications		X						X				
<b>13. New corporate initiatives</b>												
Corporate growth opportunities						X						X
<b>14. Regulatory compliance</b>												
Half year report and reviewed financial statements		X										
Adoption								X				
Review/monitor	X			X			X			X		

	J	F	M	A	M	J	J	A	S	O	N	D
<b>B. Board subcommittees</b>												
<b>1. Nominations committee</b>												
Business of meeting [extract key items for consideration from the terms of reference and remit for the committee]		X				X			X			
<b>2. Remuneration committee</b>												
Business of meeting [extract key items for consideration from the terms of reference and remit for the committee]		X				X			X			
<b>3. Audit committee</b>												
Business of meeting [extract key items for consideration from the terms of reference and remit for the committee]		X			X			X				
<b>4. Risk management committee</b>												
Business of meeting [extract key items for consideration from the terms of reference and remit for the committee]				X				X	X			
<b>C. Other key corporate/board events</b>												
<b>1. AGM</b>												
											X	
<b>2. Board strategy day</b>												
								X				
<b>3. Risk appetite workshop</b>												
<b>4. Other (list issues)</b>												