Taming the beast of board papers

By Mary Morel, Director, The M Factor

Directors face a thick pile of papers to read for each board meeting. Reading these papers can be interesting, and even pleasurable, but quickly turns into a chore if the papers are dense and difficult to read.1

A typical set of board papers will consist of:
- an agenda
- the minutes of the previous meeting
- major correspondence
- the CEO’s report
- financial reports
- operational updates
- documents supporting submissions that need decisions and
- an action list.

Types of board papers

Board papers can be broadly categorised as financial or non-financial. The emphasis in this article is on non-financial papers, which cover topics such as human resources, marketing, operations, production, strategic planning and risks.

Many organisations view non-financial papers in terms of key performance indicators or performance drivers. Deloitte Touche Tohmatsu and the Economist Intelligence Unit conducted an international survey in 2004 (In the Dark) and identified nine non-financial performance drivers, five external and four internal. (See Table 1.)

Table 1: External and internal performance drivers

<table>
<thead>
<tr>
<th>External drivers</th>
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<tbody>
<tr>
<td>1 Customer satisfaction</td>
</tr>
<tr>
<td>2 Product or service quality</td>
</tr>
<tr>
<td>3 Brand strength</td>
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<tr>
<td>4 Relationships with outside stakeholders</td>
</tr>
<tr>
<td>5 Impact on society and the environment</td>
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<table>
<thead>
<tr>
<th>Internal drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Quality of governance</td>
</tr>
<tr>
<td>2 Innovation</td>
</tr>
<tr>
<td>3 Operational performance</td>
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<td>4 Employee commitment</td>
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Noting, decision-making and discussion papers

Non-financial papers can be further categorised as ‘for noting’ (that is, information), ‘decision’, or ‘discussion’.

Noting papers provide updates and monitor progress against the organisation’s performance drivers. They cover the full range of operational activities, such as infrastructure, people and development, key client groups and major projects. These papers may also highlight successes and identify risk factors.

Many papers that fall into the noting category will be regular updates, but on occasion, papers will look at an out-of-the-ordinary risk the board needs to be aware of. These issues could include customer dissatisfaction, a technology problem or a project falling behind schedule.

Most organisations have templates and guidelines for users to prepare board papers but the challenge is to ensure they are followed.

Essential to plan writing and get to the point at the beginning of board papers to make the implications clear.

Well-written and thought-out papers anticipate questions likely to be posed by the reader.
Decision-making papers seek ‘approval’, ‘endorsement’ or ‘ratification’ depending where the final authority rests. Many papers come straight to the board for approval, but some may go to a subcommittee first and then seek board ratification. In some instances, senior management may have the authority to approve a paper, but may ask the board to endorse the decision to gain board awareness and support. An example could be a politically sensitive issue, such as a price increase for government services.

Discussion papers are not as common as noting or decision-making papers and not all boards use them. But they can be useful. Senior management and boards can use discussion papers to stimulate debate about a topic that may become a concern in the future, such as impacts of diabetes and obesity on the workforce. Or they could be used to discuss a complex issue that needs to be thoroughly discussed before any decision is made, such as the pros and cons of investing in China. Occasionally, they are used to discuss a problem that has been going round and round in circles for some time without resolution, such as the turnaround time for processing customer complaints or responding to website inquiries.

**Templates and styles**

Most organisations have templates for board papers because they provide uniformity and consistency. Many organisations also have guidelines on how to use the template, but in my experience, writers seldom read these; partly because they don’t realise they exist or because the guidelines are lengthy. One organisation I worked with encouraged writers to read the guidelines by attaching them as coloured bubbles in each section of the template. The writers had to delete the bubbles before they could use the template. Of course, they could delete them without reading the guidelines, but many writers would at least skim read them.

All templates have major headings that writers should work within and not change. Some organisations have separate templates for different types of papers, but most organisations I’ve worked with have a one size fits all template for noting, decision-making and discussion papers. This type of template usually works best for decision-making papers and may need modifying for noting or discussion papers. For example, some organisations allow writers to delete the recommendation section for a noting paper. Writers can occasionally delete a heading, but they shouldn’t alter the remaining template headings.

Although templates vary from organisation to organisation, many include the following headings:

- **Purpose** (sometimes replaced with a recommendation statement)
- **Executive summary or overview** (optional)
- **Issue**
- **Background**
- **Discussion or comment**
- **Recommendation** (sometimes at the beginning replacing the purpose statement)
- **Appendices** (optional).

Other headings I have seen in templates include: assumptions, community opinion, compliance, consultation, current position, environmental issues, financial implications, other options considered, risks, strategic plan implications, time frame and conclusion.

Some organisations also have a cover sheet, stating whether the paper is for noting, decision-making or discussion, who wrote the paper and which senior manager signed it off. Sometimes the purpose of the paper is included in this cover letter and at other times, the purpose statement is in the template.

**Purpose or recommendation statement**

Some organisations put the recommendation first, based on the principle that directors want to know why they are reading a paper before they start reading. If the recommendation is at the end, the purpose statement should achieve the same function, that is, to give the directors an indication of what the paper is about and why they need to read it.

In the purpose section, writers state what they are asking the board to do, which will usually be to inform them about something or seek approval, endorsement or ratification for a decision.

I have seen some templates that do not have a purpose statement and writers are expected to put the purpose in the ‘Issue’ section. I think this causes confusion as some writers use the ‘Issue’ heading for the purpose and others to state the issue.

There is no one ‘right’ way to write a purpose statement, but it must relate to the recommendation and be as specific as possible. For example:

To seek approval to spend $X to upgrade the computer system.

**Executive summary or overview** (optional)

Most board papers are short so do not need an executive summary, but quality is a more important criterion than length, and occasionally a paper benefits from an executive summary that highlights the ‘must know’ information.

A few templates I have seen use an executive summary instead of an issue statement. In these instances, the executive summary gives an overview of what the issue is, what caused it and what action is needed.

**Issue**

Some templates do not have an issue statement based on the premise that the purpose or recommendation statements identify the subject matter and the issue can be discussed in the background and comments sections.

I think an issue statement aids clarity in decision-making papers where the issue is often a problem or concern that needs
a solution. On occasion, the issue may be an opportunity the organisation needs to consider, rather than a problem.

When writers discuss the issue in the background section, many tend to structure their writing poorly and directors have to wade through clutter before deciphering what the problem or opportunity is.

The role of the issue statements in noting paper is not as clear cut. Many noting papers are regular updates with no particular issues, but this section could be used to highlight any out-of-the-ordinary activity or risk. In a discussion paper, the issue statement is the topic and why it needs discussing.

Whatever the subject matter of the issue statement, the content should be clear and concise so directors can understand the problem, concern or opportunity immediately. An issue statement is similar in this respect to an executive summary. For example:

The X equipment at the plant in Y has prematurely failed and will cost $1.4 million to replace. This expenditure is essential, but was not budgeted for this financial year. We cannot seek compensation from the manufacturer because the company is no longer in business.

**Background**

The background section provides an overview of what has happened in the past to cause the current situation. As most directors do not keep copies of previous board papers, this section should summarise any previous board considerations and decisions made. If the organisation has previous board papers on a board intranet, the writer should refer to relevant papers so directors can reread them.

This section may also put the issue in a broader context so directors can view the situation from a strategic and risk perspective. For example, if discussing a particular tax issue, the writer may need to provide some information about the relevant legislation.

The challenge for writers in this section is to be clear and concise. Many writers make assumptions about directors’ knowledge so either take shortcuts in their explanations or deluge directors with detail. A common complaint about the background section is the overuse of unexplained acronyms and technical terms.

**Discussion or comment**

Not all templates have a discussion or comment section, but the value of an open-ended section is that writers can use this section to link the issue to the organisation’s strategic direction, elaborate on the risks, provide options if relevant, and express their own expert opinion.

Many directors I have interviewed commented that they like knowing the writer’s opinion for two reasons:
- They value the writer’s opinion as they are the subject-matter expert
- Knowing what the writer thinks helps identify any biases directors need to take into account in their decision-making.

Some writers find it difficult to distinguish between background and discussion information and muddle these sections so their writing feels waffly and repetitive.

**Recommendations**

As stated earlier, recommendations are either at the beginning or end of a board paper. If the paper is for noting only, some templates skip this heading, but many still have a statement such as: *We recommend that the information is noted/It is recommended that the information is noted.*

Recommendations in decision-making papers should outline clearly and concisely what approval is sought and what action is required. It sounds basic to ask for what you want, but many recommendations are too vague. As one director I interviewed said:
In the end I didn’t know what the recommendation was — was it to buy a copper mine or invest in a copper mine?

Most recommendations should be sufficiently detailed to stand alone, that is, to make sense without accompanying text. They can then be copied and pasted into the minutes and adjusted slightly to become resolutions. Many organisations draft minutes before the actual meeting, basing the draft resolutions on the recommendations.

In some instances, it is not practical to have a specific stand-alone recommendation. For example, if the recommendation is to approve a new suite of tariffs that are outlined in tabular form in the body of the paper, there is no need to repeat the table in the recommendation.

There are several different styles of writing recommendations.
- It is recommended that the board approve the revised occupational health and safety policy.
- We recommend that the board approve the revised occupational health and safety policy.
- That the board approve the board approve the revised occupational health and safety policy.

If there are several recommendations, they may also be bulleted.

Appendices
Appendices support information provided in a board paper and, as such, should not introduce new ideas. Appendices are the ‘heavy duty’ detail that you need for ‘the record’ and for technical readers who want that extra information and evidence. While all directors should read them, technical readers will probably be the only ones who delve deeply into the detail.

There are no hard and fast rules about what to include in appendices. They could, for instance, include legal opinions, financial data and survey results.

Planning and structuring writing
Many writers believe that having a template solves all their planning issues. If only that were true! Writers can still manage to structure a small section within a template poorly, largely because many write for themselves, not their audience.

Many writers start writing off the top of their heads without working out what they want to say first. As result, their writing tends to be narrative or expository. With narrative writing, writers tell the reader everything they have done, step-by-step, often in minute unnecessary detail. With expository writing, the reader builds their point of view and finally gets to the conclusion at the end. This style works in university writing, but not board papers.

When writing a board paper, writers need to structure their writing with directors in mind so they get to the point at the beginning and state what the issue means for the organisation. Once they have stated the issue, they can support their line of thought, often referred to as an ‘argument’, with specific, relevant information. This discussion may include a summary of actions that have occurred in the past, not a step-by-step account.

In The Craft of Argument, US authors Joseph M Williams and Gregory G Colomb suggest developing an argument based on a claim, reason and evidence.

I believe X because Y based on Z.

They also suggest that writers should evaluate their warrants (assumptions or underlying beliefs) because these can influence their logic and may affect their judgment and readers’ response to their argument.

Williams and Colomb suggest writers develop logical arguments by asking themselves five types of questions.

1. What’s your point?
2. Why should the reader agree? (reasons)
3. What evidence do you have?
4. What’s your logic? (what assumptions have you made?)
5. But have you considered ... ?

Subheadings aid clarity
Although writers should work within their template headings rather than changing them, most organisations allow writers to use subheadings within the template headings.

Subheadings help writers structure their writing, encouraging them to group material into logical sections. The most effective subheadings are informative phrases that succinctly summarise the following section.

Qualities of effective board papers
A well-written board paper, structured appropriately within major template headings, reads like a written conversation, that is, it anticipates and answers directors’ questions. These may be questions that writers need to structure their writing with directors in mind so they get to the point at the beginning and state what the issue means for the organisation. Once they have stated the issue, they can support their line of thought, often referred to as an ‘argument’, with specific, relevant information. This discussion may include a summary of actions that have occurred in the past, not a step-by-step account.
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Table 2: Some categories of risk for consideration

<table>
<thead>
<tr>
<th>Category</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic risk</td>
<td>What is the risk that the strategy will be poorly executed or inappropriate?</td>
</tr>
<tr>
<td></td>
<td>What are the risks inherent in key strategies, and how might the organisation best identify, and manage these risks?</td>
</tr>
<tr>
<td>Emerging risks</td>
<td>Are emerging risks anticipated? (These might include risks from new competitors or emerging business models, recession risks, relationship risks, outsourcing risks, political or criminal risks, financial risk disasters and other disasters.)</td>
</tr>
<tr>
<td>Operational risk</td>
<td>To what extent have operational risks been identified, analysed and integrated into risk monitoring, reporting and assurance systems?</td>
</tr>
<tr>
<td>Regulatory risk</td>
<td>Has a risk assessment process been undertaken of regulatory risks?</td>
</tr>
</tbody>
</table>

Directors already have about the subject or questions that could arise as they are reading the paper.

Reading many reports and papers over the last few years, I have found my initial reaction has often been to ask questions that aren’t addressed satisfactorily in the document. When I talk to the writers, they can usually answer my questions, but they didn’t anticipate them when they were writing. On many occasions, there is a big gulf between what the writer tells me and what they have actually written.

For example, I mentored a training officer who worked in a Learning and Development division of a government department. She wanted the executive team to approve the Learning and Development division’s request to implement a training software package. The more I read about the package, the more concerns I had. For example, the report stated that the company providing the software was not willing to provide support in three years’ time and that the product had several disadvantages, none of which were specified. When I questioned the writer further, it transpired that this training software package was the only one available as the department had the licence for it. Nowhere had she stated this.

**Aligned to risk and strategy**
A good decision-making paper addresses how the recommendation aligns with the organisation’s strategy, business plan and budget in terms of performance drivers, costs and time frames.

Risks are more of a concern these days and the scope of risks has widened from the traditional operational and financial concerns to include issues such as environmental and health. For example, if the writer was making projections about the future workforce, they may need to factor in the impact of obesity and diabetes and how they may affect workers’ health and productivity.

KPMG’s Company Director’s Toolkit (2008) identifies risks that writers need to consider. See Table 2.

**Design and style**
The ‘look’ of a paper matters more than most writers realise as well-presented material is easier to read. Several directors I interviewed complained about papers being in small font that was hard to read late at night and they wondered if this was to make the papers appear shorter. As one director said:

> A paper needs to be comfortable reading; not squarish. It must be well-spaced and flow well.

Writers should adhere to their organisation’s style guide for all elements of style from font type and size through to how to write numbers and financial terms. It’s distracting to have different styles within the same paper, for example, dollar amounts referred to as AUD, A$, $A and AU$. More to the point, it damages the writer’s credibility with readers of the document.

**Australian standard for board reporting**
Standards Australia has developed a standard for board reporting, HB 403—2004 Best Practice Board Reporting. The standard outlines board and senior management reporting responsibilities and provides guidelines on how to present information in board papers.

This standard is available at www.infostore.saiglobal.com.

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**Note**
1 See also Morel M, 2006, ‘Bored with board papers?’, Keeping good companies, Vol 58 No 7, pp 400–403, for more detail on common problems with board papers.