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Here are some tips to improve board reporting

The quality of board decision-making is directly tied to the quality of the inputs that a board gets. Inadequate, confusing, sloppy, overly complex or just plain wrong reporting to the board will trigger disaster for the enterprise.

M Muneer & Ralph Ward New Delhi Last Updated: February 20, 2019 | 20:18 IST

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Many experts wonder why the then board members, who had given ICICI Bank former CEO Chanda Kochhar a clean chit despite the report, are getting away without any penalty or charges.



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What kinds of reports boards get and do? In the wake of Srikrishna panel finding ICICI ex-CEO Chanda Kochhar violating bank norms and propriety in favour of her husband, and the bank rightfully deciding to take back the very fortunes she was amassing, many experts wonder why the then board

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members (who had given her a clean chit despite the report) are getting away without any penalty or charges.

When you think about it, boards rarely develop their own work product. The great majority of the time, they review, monitor, question or approve information presented to them by others. Since the outside independent directors of a board are amateurs in many ways to deal with the work of the company's professional managers, this is inevitable, but it brings obvious dangers.

The quality of board decision-making is directly tied to the quality of the inputs that a board gets. Inadequate, confusing, sloppy, overly complex or just plain wrong reporting to the board will trigger disaster for the enterprise.

While this applies to information the board receives from managers, it is also an issue for committee reporting to the full board - turning the complexities of audit or pay issues into a quick summary for the board is certain to leave many gaps.

What can a board seriously do to avoid the "Garbage In, Garbage Out" reporting syndrome? Does this fall into regulatory compliance or fiduciary duties? By taking a wrong



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Just as in Chanda and ICICI board issue, if the board didn't have access to the Srikrishna panel report, it is one thing but if they had the access but in an abridged format, board members cannot feign ignorance, can they?

Here are a few suggestions for boards to get quality of reports improved:

- Make one person the board's advocate for information. This is most likely the board chair if he or she is independent, though it could also be a lead director. This information wrangler should be an independent director, and represent the needs and wants of the independent members. Only a leader with strong standards on the value of good board information can make this effective. He or she should become the person who board members (and committee members) lobby for information that is clear, timely, succinct and accessible.
- Make questions on board information quality a big part of board (and board chair) evaluation to assure good feedback. And to give the role upstream muscle, top managers who provide material to the board should have board information satisfaction built into their job evaluation.

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- The board information wrangler and the full board can improve their input by judiciously paring back and rationalising reports that come to the board. Build and enforce tests for this: How important is this particular data to board decision-making and monitoring? Is a report crucial to the board's role, or is it only good to know? Are particular numbers showing needed KPIs, financial or sales metrics, legal compliance, or metrics of interest to investors or analysts? If the case can't be made under some of these headings, why are they in your board folder?
-
- Even with the board-led shapeups such as the ones described above, most board reporting metrics are still subjective calls by managers. Someone decides this is or isn't important, data reported shifts over time, and long-term trends can be missed. Modern data management systems and board portals let you automate much of the board information capture process. It will be good to build reporting tools into your management information system (MIS) that capture the data your board wants, and then assure your board portal includes the same and reports it. Subjective judgment calls become objective reports. This is even more valuable for data-driven committee information, such as audit and compliance.
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- Reports from management to the board may need improvement, but intra-board reporting - committees of the full board - brings its own headaches. As above, standardisation is your friend. It is good to have each committee submits a form or template before the board meeting. Since the great majority of committee reports will cover the same repeating matters, a layout that essentially follows the committee's minutes should be able to quickly and easily transfer most action items to the full board. That way the precious time of the board is well spent.
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- What types of reports are better - Written or oral? There are plusses and minuses either way. The oral board reports can cut to important matters more quickly in the full board meeting, but if you are taking the above simplified "minute"-based approach, you are really just reading from the paper directors have in front of them. A blend of oral committee summary with online links to the minutes and any associated minutes let the report be accessed by all directors before the board meeting will be preferable for better decision making. This can significantly reduce meeting time.
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Next time, if you are a board member, insist on some of the above suggestions to the management. And if you are a management member committed to providing information to

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your board, do remember some of the above to get better support and alignment from your board.

In the board master class and certification programme that Ralph is planning to conduct in India over the next one year, much such useful information will be shared for boards to deliver better.

Ralph is a global authority on boards, and Muneer is co-founder and chief evangelist at the non-profit Medici Institute.

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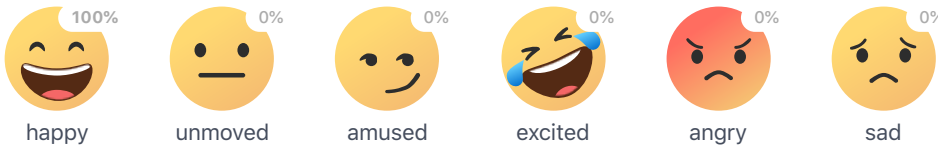
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Very relevant topic for the people who involved in board matters. Agree with the 6 Suggestions mentionedd at the last. Thought provoking and well judged suggestions.

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