COVER STORY

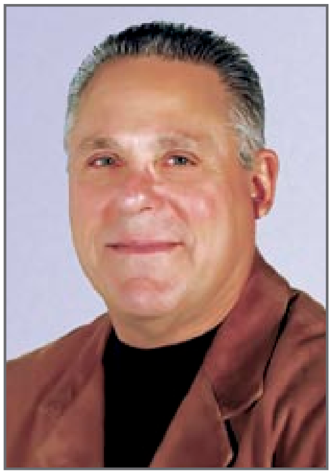
How to have a great board meeting

The tone, content, and conduct of this meeting are critical to the level of governance and ultimate value of having a board. Yet outside of the board's inner circle, few people know what typically goes on in one, much less how to organize and effectively conduct a board meeting.

By Dennis Cagan

The board meeting. I doubt that there could be any specific company function and venue that are as synonymous as the board of directors and the board meeting. In fact, in terms of the general awareness of most employees (and even most executives and shareholders), you would be hard pressed to find any that could name something a director actually does beyond attend the board meetings. In addition, unless you have attended a board meeting as a member, guest or presenter, it may be hard to imagine what actually goes on in one.

Many people will advise that managing your board is about individually managing your directors. Certainly it is critical that you have individual interaction with each one, and pursue the opportunity to impart your issues to them, unfettered by general board discussion. It is also very important to be able to listen to their individual input without others listening in. However, in managing your board, center stage is the meeting itself. The board meeting is the primary way that boards function, and the dynamics between the directors, and between directors and management, is crucial. The information here is intended to help make your board meetings effective, productive, and valuable for everyone involved — especially management, directors, and the shareholders (owners) who selected the board.



Dennis Cagan is a high-technology industry veteran and entrepreneur, having founded or co-founded over a dozen different companies. He is a seasoned CEO/chairman and has been a C-level executive in both public and private companies, a venture capitalist, private investor, consultant, and professional board member for over 35 years. He has served on close to 50 corporate boards, both private and public, predominately of early and mid-stage technology companies. He resides in Plano, Texas, and is currently serving on several boards and consults on forming boards. He is completing a book, *The Board of Directors for a Private Enterprise*, to be published in 2014.

Meeting frequency

One of the first questions asked about a board — right after "Who is on it?" — is how often does it meet. A board cannot be effective if it doesn't get together regularly. Some boards meet monthly, especially early stage or fast-growing companies where a lot can change in a short time. I like this approach when the company is young and there are frequent shifts in the business and the marketplace, and the company's execution is not really perfected yet. A comparable scenario is when perhaps the firm has been stable but now the market or competitive landscape is rapidly changing for some reason. In this situation one approach that works well is a board meeting in person once per quarter, with the other two meetings that quarter by teleconference.

However, for many mature private companies, a monthly board meeting can be overkill. One alternative is twice a quarter. The idea is to have one meeting mid-quarter and one meeting after the quarter has been completed. This works well for a public company when the board needs to review the quarterly numbers before they are reported to the public. I think eight meetings a year is a great heartbeat for a board, and this schedule works well for all kinds of companies. Some boards only meet once a quarter. I generally encourage those boards to meet over the phone for an update in between the face-to-face meetings. Those update calls/meetings are less formal than a full board meeting, but they keep the board engaged in the business and connecting with each other.

It is important to determine the board meeting schedule a year in advance. This helps everyone plan their time to insure their availability. Of course there will always be cases when a last-minute meeting is needed to discuss or approve some time sensitive issue.

Eight meetings a year is a great heartbeat for a board.

Meeting structure

Board meetings can last anywhere from a few minutes to many hours. Typically they should last two to three to four hours. Depending on how current everyone is and the magnitude of issues up for discussion, more time may be necessary. However, more than three hours of intense discussion will typically be overkill. You should always schedule a little more time than you feel will be needed. It is far better to end early than to have to rush the discussion, short-change another topic, or overrun everyone's schedule. Whether the chairperson or the CEO runs the meetings, it is much better when they are kept on schedule and on topic.

Board meetings should be discussions. They should be interactive. There should certainly be some structure, but in my experience they begin to lose their value if they are too rigid. Don't let your board be just a formality or a rubber stamp. Some CEOs and chairpersons make the mistake of driving the board line-by-line through the agenda, cutting off meaty discussions in the name of staying on schedule. The purpose of board meetings is not only to inform and educate your advisers but to seek their views and advice, which requires that they be given sufficient time to talk and discuss. Getting through the agenda on time should only be a secondary goal. Board meetings should contain a large interactive component.

There are a few techniques that I've observed over the years that I like a lot. The first is that the board deck, the pre-prepared management presentation (typically a PowerPoint) is usually sent out at least three or four days in advance. The deck should include all the important financial and operational information and key performance indicators (KPIs) for the board to review in advance. These often take the form of a 'dashboard' that the board has helped shape over time into an effective tool for keeping the performance pulse of the enterprise. It should also tee up any big discussion items selected or required for that meeting so that the board can start to think about them in advance. Depending on each company's situation, condition and tradition, it may not be necessary for the board to go through a line-by-line review of the financial and operational results in the meeting. The CEO or chairman can ask the board members if there are any questions on the numbers, and time should be set aside in the event that a consensus of members would like to have a discussion of the operating results.

The second technique I like a lot is when the CEO puts out in advance a list of the three or four things that are "keeping me up at night." This can be a way of teeing up the discussion items for the meeting, or it can just be a good way for the board to quickly get an insight into the CEO's state-of-mind. One approach to this is using the "keeping me up at night" slide to show the items that were on the slide the prior meeting and the items that are on the list currently. This shows issues that have been "resolved" in the time since the last meeting, those things that have not been resolved, and the new things that have popped up.

Most meetings I have participated in made some attempt to follow Robert's Rules of Order; however, it is always a very light touch, and I have yet to encounter an expert. This is definitely a case of the personal preference of the chairperson. Having no rules of engagement is a formula for pandemonium; too much rigidity can be both time consuming and tedious.

"You take two of these at the first sign of the onset of boardroom turbulence."

Meeting agenda

There are certain traditional agenda categories. These include approval of minutes, CEO's review/overview of the preceding period, operations report, finance, sales, marketing, compensation, committee reports, technology/product discussion, strategy/special items, resolutions, old/new business, and more. There can also be a less functionally related, more issue related, perspective. This might include numbers, customers, people, product(s), capital, marketplace, competition, etc. Over time a board will refine its own approach to its agenda. Consistency is important in that it lends itself to better tracking and milestone alignment.

One of the principal work products of a board meeting is minutes. There are many acceptable formats. Very few directors, or even attorneys, get hung up on this. The most frequent difference of opinion comes on content: more, or less? Minutes may become discoverable should the company ever be engaged in litigation. In a very closely held firm this may not be an issue, but in a more widely held or public entity this is an important consideration. It is generally considered to be best practice to include enough detail in the body of the minutes to document that certain topics were considered and discussed. However, it is not generally advisable to include too many specifics or details, as this could potentially compromise company confidential information should the minutes become public.

Another consideration that gets varied opinions is which non-board members should be invited to the meeting as guests. There are of course certain infrequent meetings when it is not appropriate to have any guests, save corporate counsel. There are also usually certain segments of each meeting that should be limited to directors only. Then there is an executive session when even nonindependent directors (management) should be excluded. There is more on this topic to follow. However, I consider it good practice to expose a wide range of company executives to the board. Having several different managers present to the board on their specific areas of responsibility over the course of the year best does this. In addition, discussion can be scheduled on a particular subject or business area, and several executives can be present for the discussion and board questions. I see tremendous value in this. The employees get exposed to your board. This sends a strong message of professionalism and openness to outside ideas. It supports a positive culture. They of course also get direct feedback from your knowledgeable directors. For the directors' benefit they get ongoing exposure to your best and brightest. This gives them insight into potential roles for these folks and aids in succession planning at all levels of your organization.

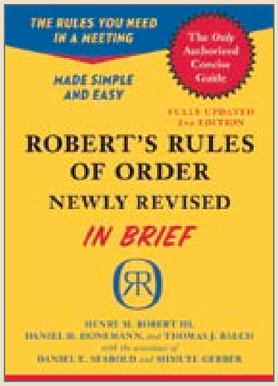
Getting through the agenda on time should only be a secondary goal.

Executive session

One of the most important techniques I've observed over the years is the executive session of the board, usually at the end of the meeting. This is when the board meets without the CEO and other management board members or guests in the room. This allows for a discussion of the meeting and what the key takeaways are. If this is done consistently it simply offers a more open forum for the independent directors to talk freely, and when or if there actually is a delicate issue, the session can be conducted without unnecessarily alarming anyone. The executive session can be five minutes or it can be a half hour. Sometimes there is very little to discuss; sometimes there is a lot. The CEO should be briefed on the executive session, either by the board afterwards or by the chairman or lead director shortly after the meeting ends. This is an opportunity for the board to

Bringing order to meetings

A prime value of parliamentary procedure is that it provides processes through which an organization, large or small, can work out satisfactory solutions to the greatest number of questions in the least amount of time. It can do this whatever detail or complexity may be involved. It makes meetings go smoothly when everyone is in agreement, and allows the group to come to decisions fairly when issues are bitterly contested.



A chairman should never be stricter than is necessary for the good of the meeting. But, within that pattern, parliamentary procedure should normally be followed as a matter of course if it is to work well. It's not something to look to only when you get into trouble.

Robert's Rules of Order has brought order to millions of meetings. Yet it has more to offer us if the core of its content can penetrate more deeply into our culture. Every parliamentarian has heard many stories of meeting participants finding themselves helpless in the face of badly, ineptly — even unfairly — run meetings. All this need not be! Effective meetings could become the universal rule, if an elementary knowledge of the accepted rules that govern them were to become the common property of most people, as — for example — are the rules of baseball.

From the book *Robert's Rules of Order, Newly Revised, in Brief,* by Henry M. Robert III, Daniel H. Honemann, and Thomas J. Balch, with the assistance of Daniel E. Seabold and Shmuel Gerber. Reprinted by arrangement with Da Capo Press (www.dacapopress.com), a member of the Perseus Books Group. Copyright ©2011.

Running a compelling board retreat

By David Porteous

The annual corporate board retreat is a longstanding tradition that is routinely hosted at a resort. There boards often hammer out the company's updated strategies as they relax and play golf in the sun. While a retreat in a popular vacation spot can be a welcome reward for hardworking board members, it may also be a missed opportunity.

The 11-member board of the Columbus, Ohio-based Huntington Bank has taken a different approach: We go local. We believe this tactic provides long-term benefits, which can boost the bank's reputation and help to drive and sustain its growth.

We host our annual retreats in one of our 11 markets that span across West Virginia, western Pennsylvania, Ohio, Michigan, Indiana and northern Kentucky. To an international board that oversees offices stretching from Hong Kong to London, the distinctions between Detroit and Cincinnati might not seem stark enough to require a meeting in each one.

Nevertheless, we have found that hosting a retreat in one of our Midwestern cities is a tremendous learning opportunity and has a significant impact on our strategic planning process and long-term vision.

It also underscores for local stakeholders — including customers and colleagues — our commitment to a market. Moreover, it allows us to discover firsthand how business is being conducted in a region because during the retreat we seek the feedback of customers, colleagues, community leaders, and local elected officials. These perspectives can be critical in influencing and shaping Huntington's direction — the very reason for a board retreat.

David Porteous: The retreat was transformational for the board.

We have learned about the benefits of a local retreat from trial and error. A couple of years ago we hosted our retreat in Naples, Fla., where we have several wealth offices. The weather was marvelous. But the retreat wasn't as useful, compelling or stimulating as the ones we have held in Grand Rapids, Mich., or Indianapolis.

As most board members would likely agree, the term 'retreat' is used very liberally here. The meetings are arduous undertakings focused on strategic planning. We begin sometimes as early at 6:45 a.m. and end with a dinner or reception that often extends past 9 p.m. over three days.

While the retreat may be local, the direction of the meeting must stay broad. The agenda should include what keeps you and the senior staff up at night. Additionally, it is critical to set aside time to celebrate the victories that the company has had throughout the year and recognize staff and board members who have helped to drive those successes. We find that being immersed in a community where we do business helps keep the conversation more honest and productive.

Interspersed through the schedule are receptions and meetings with local community leaders, elected officials, and top customers. We also plan a few social events to build relationships among board members, the local executive team, and the senior leadership team. For example, in Cleveland we visited the Rock and Roll Hall of Fame and in Cincinnati we attended a Reds game. These seemingly simple outings resulted in a more relaxed dialogue with each other and further shone a light on the local culture.

Our 2010 annual retreat in Detroit is an excellent example of the impact a market visit can have on a board's knowledge of and vision for the company.

Our board members live across the Midwest and in some cases across the country. They, too, were reading the headlines at that time about the imminent death of Detroit as the auto industry struggled to turn around.

The retreat was transformational for the board as business leaders met with us and talked about their plans for enhancing the local school system, boosting the Detroit business climate, and attracting more investment to the metropolitan area.

The retreat was so compelling that we began to see the entire state of Michigan as an inviting location for more investment and potential growth. What followed was a 2011 lending commitment of $2 billion to more than 2,500 commercial and small businesses in Michigan; the opening of 34 in-store branches, with more to come, at a popular Michigan retailer that is significantly expanding our branch network; and a commitment of $100 million to affordable housing in Michigan.

The retreat also helped us to see more clearly the role we could and should play as a prominent Midwestern bank committed to investing locally in order to help the economy expand.

Banking is a heavily regulated industry, with more regulations scheduled to be rolled out as the country continues to recover from the banking crisis of 2008. With this in mind, this year we stepped just outside of the Huntington footprint and hosted our retreat in Washington, D.C., to engage legislators and regulators on what we should consider as we plan for the future.

Whatever industry a board represents, hosting the annual retreat in a local market — or on some occasions a critical national market like our nation's capital — is a constructive and sometimes revealing look at the nuts and bolts of the environment in which a business is operating. It presents a unique opportunity to see your business from the perspective of most of your stakeholders and gives you a new lens through which to see the impact of your decisions. The allure of getting away from all of the distraction is understandable, but sometimes immersion can drive greater clarity.

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provide feedback to the CEO on the business, the team, his own performance, and the strategy. Boards should not miss this opportunity to provide feedback, and in a healthy relationship the CEO should demand it of them.

Committees

The board of a public company requires certain committees. The private company fiduciary board does not. However, if the goal is to replicate standard governance there are typically committees. Committees are used to reduce the amount of time necessary for the board to address detailed matters. The objective is to have board members on a committee for which they have more in-depth expertise than perhaps other directors have. The committee is used to pre-review its designated matters and make an informed recommendation to the full board. This does not diminish the board's responsibilities, but does serve to streamline business.

The first committee is always audit/finance. Without getting into any detail here, it oversees finance, most importantly accounting in general and audits in particular. Usually second is compensation, which monitors and pre-approves all compensation issues involving executives, board members, and other relevant employees and important considerations. Generally the committee sets certain standard parameters to be approved by the board, and themselves pre-approve specific situations as their charter sets forth. Recently a newer committee has emerged: governance. Its oversight may include regulatory matters, succession, recruiting of employees and directors, and board policies and procedures in general. Additional committees may include strategy, technology, M&A, and others deemed key to the company's success and the boards' responsibilities.

Phone meetings and special meetings

Governing documents for most entities provide that board meetings may be conducted by teleconference rather than in

Getting every director engaged BY KENT THIRY

Most directors come to board meetings with two sincere objectives: (1) to add value, and (2) to not be bored. Unfortunately, in one of life's great ironies, management often comes to the board meetings with two relatively contradictory objectives, namely: (1) to demonstrate that they have already thought of everything, and (2) to demonstrate how much that is.

Therefore, I coach new CEOs to demonstrate their self-confidence by going to the edge of business issues, openly bringing up the unanswered questions, and letting the board opine. If at least 40% of the total board time is not a general and engaged discussion, as opposed to directors listening to presentations, you are at serious risk of getting far less value because the directors go numb in their chairs.

Here is one of the "simplest" and most self-evident ideas you could imagine. I only wish someone had brought it up to me years earlier, as I have been struck by its power.

By way of context, every single board I have sat on had a subset of the members who did most of the talking. Furthermore, on many issues, a couple directors would do most of the talking, someone would venture forth with a conclusion, some heads would nod (or at least not object), and the discussion would move on.

Therefore, I began the following practice: A couple of times at a board meeting, after there has been some give and take on an important issue, I will ask for us to go around the room and have every director speak, and sometimes each executive as well — even if it seems like there is a directional consensus. The consistent result is that we get some of the most insightful comments of the entire meeting.

Kent Thiry: I only wish someone had brought this idea up to me years earlier.

These are comments that would otherwise have never been made, because people did not want to fight for airtime, or they were worried it would prolong the conversation forever, or because while it was a value-added comment it would not directionally challenge the answer, all sensible reasons to hold back from throwing in another comment.

But for an important topic, these synthetic closing thoughts, provoked by the extensive conversation that preceded them, are often the most valuable.

Since each director knows they will get their turn, there is no need to rush — quite the contrary, they know the whole point is to reflect on the entirety of the issue. Some will link our direction to other big issues, some will tie it to history, some will point out organizational issues it raises, some will point to capital market or implementation issues, while others point out optical issues.

Whatever it may be, the aggregate result is every director becomes engaged by providing thoughtful closing comments on an important issue, with the rest of the board as their undivided audience.

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person. Face-to-face has many advantages, of course, but short notice and convenience may not always be two of them. Regularly scheduled meetings that are held via telephone should be conducted through a teleconference bridge, and may go through the normal graphic presentation like a PowerPoint. They may also utilize a web-based audio/video collaboration connection tool like GoToMeeting. It is helpful to keep these meetings somewhat shorter than regular ones, and more effort needs to be made by the chairperson to mediate between the parties wishing to speak. Care should always be taken to ask if anyone else has comments before moving on to the next subject. Some directors, like me, tend to say less during phone meetings, showing the restraint to avoid saying something that has already been adequately articulated by another director.

Special or unscheduled meetings may be held at any time, in-person or by phone. The board should have an effective method of notifying everyone in accordance with the company's governing documents, and everyone should properly RSVP. Such meetings require the same procedures and minutes as any other meeting.

The most common misconception I encounter regarding voting is that all votes must be unanimous. Why?

Voting

Arguably the most tangible product of a board meeting is a vote. It takes some amount of experience, and often advice of counsel, to discern what requires a vote, and what may work better as simply guidance. Voting probably represents the board's strictest adherence to Robert's Rules of Order. Items up for a vote require a formal resolution. It is very important to have a clear statement of the resolution, agreed upon by the board, stated in the minutes. The most common misconception I encounter regarding voting is that all votes must be unanimous. Why?

I have no idea where this concept originated, but it is, of course, generally false. Only Written Consent must be unanimous. There are certain votes, stipulated by the company's governing documents, which may require a 'super majority' (more than 51%, e.g. 66.67%), such as an acquisition or financing transaction. There may also be a specific term of a class of preferred stock that requires the vote of a director representing that class. However, only these special cases require anything more than a simple majority. There will certainly be things that everyone agrees on, but constructive dissent is healthy. Sometimes, when everyone has properly reviewed an issue previously, but no vote was taken (perhaps being postponed to await additional information), it may be efficient to get a board vote without a meeting. This is called Written Consent, or Unanimous Written Consent. This procedure allows the distribution of the resolution via email, fax, or letter, with the board members responding with their vote in kind.

When in doubt, go ahead and conduct a vote. Keep in mind that the definitive nature of a vote serves both to give management clear direction and to demonstrate to outsiders that the board faithfully fulfilled its fiduciary responsibilities to review and rule on key issues.

A benefit to all

In summary, board meetings should not be operational reporting sessions with information flowing one way. They should not be solely for the benefit of the board. They should be for the benefit of the CEO, the senior team, and ultimately the owners. I've always loved the idea of a "kitchen cabinet" and to me that is what a great board meeting should feel like. The best boards act as a team of experienced, skilled, engaged, and helpful advisers, and meetings should be a place and a time for that group to provide the most help and assistance they can. It is the CEO and chairperson's job to make sure that happens, and on a regular basis. ■

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