STANFORD BUSINESS GRADUATE SCHOOL OF

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GUIDE TO GETTING THE MOST OUT OF YOUR BOARD MEETINGS

INTRODUCTION

In your first year, you will encounter a host of management challenges and opportunities, all of which you will be better equipped to navigate with a handful of seasoned operators and investors providing their insights and perspective. For this reason, your board can have a significant impact on your company's performance. Unfortunately, we often see early CEOs get far less value out of their boards in the first few years than they might otherwise.

Note: There is quite a bit of content in this memo, and we suggest that you read it a few times throughout your first 18 months as a CEO.

SCHEDULING

Schedule your meetings well in advance. Because scheduling becomes increasingly difficult the closer you get to the proposed meeting date, a good practice after your initial call with your board is to schedule your first full year of board meetings before the first one takes place, and always be at least six-months out with your scheduling.

Schedule meetings offline. Every time you get your board members on the phone or in a meeting together, you should be aiming for every minute of that time to be "high value" time. Consider handling administrative tasks, such as scheduling future meetings, using an online scheduling tool such as Doodle. When using an online tool, be sure to offer about ten options per board meeting to prevent any further back-and-forth but not to be overwhelming with options. Be sure to include the proposed times or at least designate "morning" or "evening".

If you do choose to schedule dates during your meeting, manage the conversation tightly and avoid the process degrading into a conversation about each board member's personal calendar.

David Dodson, Lecturer in Strategic Management, prepared this note as the basis for class discussion.

Optimize for in person attendance and efficiency. The time of day you choose for your meeting should be what is most convenient to your board members, and likely to yield the highest in-person attendance. If, for example, your board meeting is in Chicago, and you will have one person flying from Boston and two coming from San Francisco, look up the flight times coming into Chicago on that board date and find a time that minimizes dead time between possible arrival times and the meeting. When you set the meeting time, you can even provide suggested flights that will get everyone in on time and out with minimal down time. Schedule the meeting early enough in the day that people can fly home the same day when possible. Showing consideration for everyone's time is a simple way to build goodwill with your board members, and reflects well on you as a professional.

Dinners and social time. Some boards, and CEOs, like to schedule a dinner the night before a board meeting, which requires a hotel, a night away from their family, and with flights an additional half-day away from their office. While these can add to building the fabric of the board, they also can increase the wear and tear on your board member's schedule and personal life. Some of your board members will be on seven or more boards –which amounts to a board meeting every other week. If used, consider them only occasionally.

LOCATION

CEOs often schedule their board meetings at the company location by default. Doing so might make sense if there is something at the company that you need the board to witness, but many times this is not the case. When being on site is not crucial, your location choice should be whatever will maximize in-person attendance, and be most hassle-free for your board members. If your board members must travel to get to the meeting, a good location is one that the most people can reach with one direct flight. Airline hubs such as Denver and Chicago are good choices for this reason. Booking a conference room at an airport hotel minimizes logistics. Remember: maximizing consistent in-person attendance trumps everything else!

FREQUENCY AND FORMAT

Quarterly board meetings. Aim for an in-person board meeting each quarter. When in-person attendance is not possible, consider video conferencing the remote participants. While no substitute for face to face, it is a more engaging medium and removes the temptation for the remote participant to check emails or multi task while listening to the call.

Since your company is not public, there is no compelling reason to tie your meetings to the "end of the quarter". Furthermore, it would be logistically impossible to attract those board members who are on several boards if every company scheduled board meetings in the same quarterly window.

At the same time, do try to have the meetings toward the end of the month so you will have the financials of the prior month available.

Interim check-ins. In the first year or so, interim check-ins between board meetings are common and are expected—for example, a one-hour phone call between board meetings for updates. Depending on the topic, length of time needed and level of sensitivity, you can determine what format is most appropriate for these check-ins. These will likely go away after the first year.

BOARD MEETING ORGANIZATION

Designate a lead board member. This person should serve as your board "coach" and process manager, who will give you feedback before and after the meeting. The principle jobs of a lead board member are:

1. Assisting in the development of the board agenda and material;
2. Serving as a process coach for the CEO to help them become more effective in the meetings;
3. Observing whether norms, structure, and practices are adhered to in the meetings, and to suggest remedial action when necessary;
4. Troubleshooting issues with specific board members (e.g. attendance, use of electronics)
5. Leading the executive session.

Rotate your lead board member every few years so you have a chance to hear different perspectives and develop your relationship with each of the members of your board. Importantly, your lead board member should not be "first among equals"—the idea is to have someone who is a "process coach" to observe how the meeting is going, what is/is not working, the dynamics of the board, and so forth; not to become the senior board member.

While having a lead board member early in the process is important, if the dynamics of the board make it difficult to designate such a person early on, consider at least having an informal "go to" board member that will cover much of the work of a lead board member during those first few months.

Schedule an executive session. The executive session should be a standing time designated for the end of every board meeting. This avoids unnecessary anxiety around executive sessions being requested by the board members at certain times but not others.

The purpose of the executive session is to provide the board with a chance to meet, without management present, to review the board process, give each other feedback on their own conduct during the board meeting (e.g. "Bill, you seemed a little rough on Jose during the discussion on collections"), and to discuss any topics that might be uncomfortable with you present (e.g. "I thought Martha seemed really worn out, did any of you pick up on that?").

By having a designated time for the executive session after the meeting, the details of the meeting are fresh and easy to recall, and the board can follow up with the CEO immediately afterward and in person to discuss any issues.

Deliver your board materials on time. Three to five days ahead of time is ideal, and farther in advance likely unnecessary as most board members will want to review the material immediately prior to the meeting. After you have prepared the material, with the guidance of your lead board member, review the final agenda together with sufficient time to incorporate any feedback into your plans for the discussion.

CONTENT

Build the content around your goals and objectives. While your report will have some standard sections around billboard financials, key metrics, etc., much of the material for any meeting will be customized around the goals and objectives of that particular meeting. As your CFO prepares the standard sections, consult with your Co-CEO or lead board member about the meeting goals before you begin to prepare the package. Then focus the material around those goals and objectives. By doing so, you'll end up with a shorter and more concentrated report – leaving you with less work in preparation, and a board that is better prepared to discuss what you find to be most important.

Do not "overcrowd" the meeting. Rather than try to cover every aspect of the business each meeting, focus on the several important or urgent topics, and go in depth on those items. Strafing over all aspects of the business—at every meeting—is generally low value. Provide thirty minutes of update (along with what is included in the written material) and then dive deep into select topics such as: hiring, recruitment, compensation, budget and planning, sales force management, expansion opportunities, and financing/capital structure.

To be sure you have plenty of room for discussion time, your prepared content should only account for about 70% of the total planned meeting time. This will allow time for unscheduled thoughts and ideas that may arise organically in the meeting.

Get to the most important topics first. After discussing general background for about thirty minutes, dive into the most important first. Often CEOs save the most critical issue to the end, which is the time that the energy is lowest, some board members become distracted with catching their flight, and you have a hard stop time. Save the less important topics to the end, put the important material at the beginning. If you run out of time, you'll not have shortchanged the critical issue.

Over time, delegate the preparation and simplify. Just because it's a communication between the CEO and the Board, does not mean that much of the preparation cannot be delegated to your CFO or senior managers. As well, it's easy to fall into a situation where the board report "grows" with each request of a board member, until the document becomes large and unfocused—and the amount of time required to prepare it becomes exorbitant. About once every year, have your lead board member check in with your board on what areas of the report are adding value and being read – and cut out those that are not.

RECORD KEEPING

Keep board minutes. Corporate minutes are not intended to provide a detailed description of what was said during the meeting. When recording the minutes, keep in mind that the minutes are discoverable in the event of litigation, and must be disclosed for regulatory reasons. Therefore, you want to be very careful about having any information in the minutes that could be misconstrued and/or used against you at a later date. Generally speaking: less is more.
The appendix of this paper has an example of corporate minutes.

BOARD MEMBER COMPENSATION

Pay your board members. Your board members should be compensated for their service for two reasons. First, they are giving their time and energy on behalf of all of your company's shareholders. The shareholders should therefore pay for the board members who do work on their behalf. Second, it improves the dynamic between you and your board members. Even if only subconsciously, your board members will take the meetings more seriously if they are being paid to be there, because it creates a sense of obligation to add value. By the same token, you will feel justified in demanding more out of your board members to make their involvement worth the company's money.

Start small, and grow the compensation as appropriate. Your board members recognize that the company you are purchasing is relatively small and that their compensation will reflect that. A reasonable all-in starting compensation is $7,500 to $10,000 annually per board member. Over time, this should increase up to ~$25,000 as the company matures. You may also consider changing the structure from a straight dollar-per-meeting payment to a retainer plus a per-meeting payment (e.g. $5,000 retainer plus $2,500 per meeting).

Some companies pay a reduced rate for board members that do not attend in person. While this may seem to provide an incentive to attend in person, most of your board members would easily prefer to avoid the travel and take the lower amount—so it's unlikely to alter behavior per se. Plus, there is a risk it sets a norm and structure for attending by phone. Best to maximize in-person attendance through other means, and not signal that attending by phone is an acceptable option.

Simplify the administration of compensation and reimbursement. Hand to your board members their checks at the meeting. You can also provide them with an expense form to fill out, and a stamped envelope to send it back. Regardless of how you do it, be sure to turn around reimbursements quickly. It is a small thing you can do to show that you run a tight ship, and an easy way to express your thanks for their time.

FREQUENT MISTAKES AND SOME SUGGESTIONS

The following is a list of some of the common mistakes CEOs make in their early board management. While some of these might seem obvious, they are listed because they come up frequently with startup boards and with new CEOs.

Treating the board meeting like a presentation. Often early CEOs treat their board meetings like presentations. Your board members should already be up to speed on the general status of the company and are eager to add value for you. If they arrive at the meeting and are forced to sit through several hours in silence as you flip through PowerPoint slides, it creates distance between you and your board members and crowds out opportunities for a more natural, dynamic discussion of the material.
Rather than treat the meeting like a presentation, go in with the mentality that this is your opportunity to facilitate a discussion amongst your board members. You want to hear what they have to say—they cannot add value unless given the chance to wrestle with the material.

Re-reading the report to your board. In a related point, you should assume that everyone has read the material. Avoid the temptation to use your board material as a presentation crutch, burning up precious minutes walking page-by-page through information that is easy for your board to process on their own time. It yields little value to the shareholders and sucks the energy out of the room.

Taking up too much air time and not facilitating discussion. Monitor how much air time you are actually taking up – if you're doing more than two thirds of the talking, you are talking too much and not allowing your board the opportunity to provide value. Your board is not in place for compliance reasons, they are there to help you run your business—and that means you must leave time for them to talk.

To help facilitate discussion, resist the urge to respond to every comment made, and instead provide the opportunity for other board members to build upon the comment or respond. As well, when moving from topic to topic, pause for just a moment to see if anyone has anything they'd like to add. Finally, feel comfortable drawing out less vocal board members ("Bill, you have quite a bit of sales experience at ABC Corporation, did you find this same issue coming up?").

Use your board members outside of meetings. Some of your highest value interactions with your board will be outside the board room. Consider calling them in advance of the meeting to clear up any open issues, clarify meeting expectations, answer one-off questions. As well, between board meetings use your board as a resource for focused questions about tactical issues (e.g. an upcoming termination, question on a commission plan, negotiation with a vendor, etc.).

Another effective use of your board (or investors) outside of meetings is to assign a "coach" to help with a specific topic. For example, one board member might talk with you for twenty minutes every week, for two months, in order to guide you with your accounts receivable challenges.

The board report is not the place to prove you can generate lots of data. It can be tempting to use the board report for "show and tell", to indirectly highlight the level of detail you track and maintain in your operations. That is inefficient for your board—if you find it important to demonstrate your hold on the business (and sometimes it is), then instead of indirectly making that point by including unnecessary data and detail and appendices, make the point directly and once, by showing examples of the controls and data you have in place.

Track open items from each meeting and follow up. Take notes during the meeting and be proactive about any future deliverables, either implied or promised. In the meeting you might make commitments to add things to future board material, include topics for future meetings, or initiate activity within the company—when doing so, make sure to close the loop formally with your board.

By the way, it's okay to change your mind about a commitment, just make sure to proactively cover that with your board member(s).

Delivering bad news. Your board understands that all companies have ups and downs, and there will be bad news that must be delivered and sometimes dealt with in the meeting. Best practices suggest delivering it directly and without equivocation, include any analysis or implication, and then to the extent appropriate, "lessons learned". You are not expected to be flawless as a CEO, but you are expected to be transparent and willing to learn and grow—that's all your board and shareholders have a right to expect.

APPENDIX A: SAMPLE BOARD MINUTES

Minutes of the Meeting of the Board of Directors of
[Company Name]
Date
Location

The meeting was called to order at 11:00 AM, PST on November 6th 2014 at Stanford Graduate School of Business.

Board Members in Attendance: *List names and specify titles such as Chairman, CEO*

Proceedings:
Meeting called to order at 11:07 a.m. PST
The first order of business was the introduction and outline of the board operating norms by the Chairman. This was followed by a review and feedback on the format and content of the board packet. The board provided recommendations that will be incorporated in future quarterly board packets.
The next order of business was the review of the sales and marketing strategy for the company led by the CEO. The board had a long discussion around the company's current sales approach, hiring and rewarding of the sales team. The board asked questions and made recommendations to the CEO.
The board then went on to discuss the business unit economics and key metrics as presented in the board packet. A discussion ensued around the level of detail and specific items that should be presented in the board packet going forward.
At this time the CEO was excused from the meeting and the Board convened an executive session.
Following the completion of the executive session, the Board offered their final comments and the meeting was concluded at 2:10 PM PST.

Minutes Recorded:
Name, title

APPENDIX B: BOARD PRESENTATION SAMPLE FORMAT

Section 1: Agenda, with time allocations for each topic

a) Approval of the minutes from prior meeting
b) Update on open items from prior meetings
c) Recent operational performance
d) Key Item #1
e) Key Item #2
f) Key Item #3
g) Administrative issues and approvals

Section 2: Deal Summary

Example:

Deal Summary		Notes
Purchase Price January 2013	$7,250,000	Includes purchase price and deal expenses
TTM EBITDA at Deal close	$1,500,000	
Effective multiple	4.8x	
Initial Capitalization Summary		
Senior Debt	$2,400,000	All senior term loan
Series A Redeemable Preferred Equity	$2,875,000	15% preferred return
Series B Participating Preferred Equity	$2,875,000	
Total Capitalization	**$8,150,000**	This includes search capital and step up

Section 3: Goals and objectives of the meeting

Section 4: Operational Performance

a) Key Performance Indicators

Example:

Key Performance Indicators (KPIs)	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Exisiting units	116	125	138	136	140	154	167	180	209
+ New Installed Units	5	18	1	9	8	11	18	26	37
+ Additional units to existing customers			2			4	2		
- Churn			-1		-3				
Cumulative Contracted billable units	121	143	140	145	145	169	187	206	246
Average Contract Duration in months	24	22	24	24	20	24	24	24	28
Monthly lease rate	$90	$90	$90	$90	$85	$95	$95	$95	$95
Additional metrics									
Headcount	12	12	12	12	10	13	13	14	14
Monthly cash burn rate	($29,110)	($40,005)	($30,130)	($45,550)	($10,250)	($42,658)	($38,514)	($35,564)	($15,123)
Cash in the bank	$775,250	$735,245	$705,115	$659,565	$649,315	$606,657	$568,143	$532,579	$517,456
Runway in months	25	16	21	14	16	18	13	13	25

b) Operational numbers specific to the company with commentary
c) Income Statement with commentary
d) Balance Sheet with commentary
e) Accounts Receivable Aging with commentary
f) Bank covenants historical and forecast

Example format for financial updates:

	Last Quarter						Year to Date				
	Actual	Budget	Last Year	Var to Budge	Var to LY		Actual	Budget	Last Year	Var to Budge	Var to LY
A											
B											
C											
D											
E											
F											

A/R aging report example:

As of 9/30/2016	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Customer 1	0.00	0.00	0.00	0.00	839.32	839.32
Customer 2	106.50	0.00	0.00	0.00	1,236.14	1,342.64
Customer 3	200.00	0.00	0.00	0.00	0.00	200.00
Customer 4	2,673.00	0.00	0.00	0.00	265.07	2,938.07
Customer 5	6,992.85	0.00	0.00	0.00	(53.44)	6,939.41
Customer 6	2,610.40	25.23	0.00	0.00	0.00	2,635.63
Customer 7	0.00	0.00	0.00	0.00	1,270.00	1,270.00
Customer 8	136.59	136.59	136.59	136.59	803.90	1,350.26
Customer 9	270.00	0.00	0.00	0.00	0.00	270.00
As of 6/30/2016						
Customer 1	0.00	0.00	0.00	839.32	0.00	839.32
Customer 2	0.00	0.00	51.00	0.00	1,236.14	1,287.14
Customer 3	120.00	0.00	0.00	0.00	0.00	120.00
Customer 4	3,102.00	0.00	265.07	0.00	0.00	3,367.07
Customer 5	7,812.00	0.00	0.00	(53.44)	0.00	7,758.56
Customer 6	2,500.00	0.00	0.00	0.00	0.00	2,500.00
Customer 7	0.00	0.00	0.00	0.00	1,270.00	1,270.00
Customer 8	136.59	136.59	136.59	136.59	667.31	1,213.67
Customer 9	290.00	0.00	0.00	0.00	0.00	290.00

Sections 5-7: Background for Key Items
Section 8: Administrative issues and Required Approvals
Appendix

a) Minutes from prior meeting
b) Any relevant background material for discussion items