



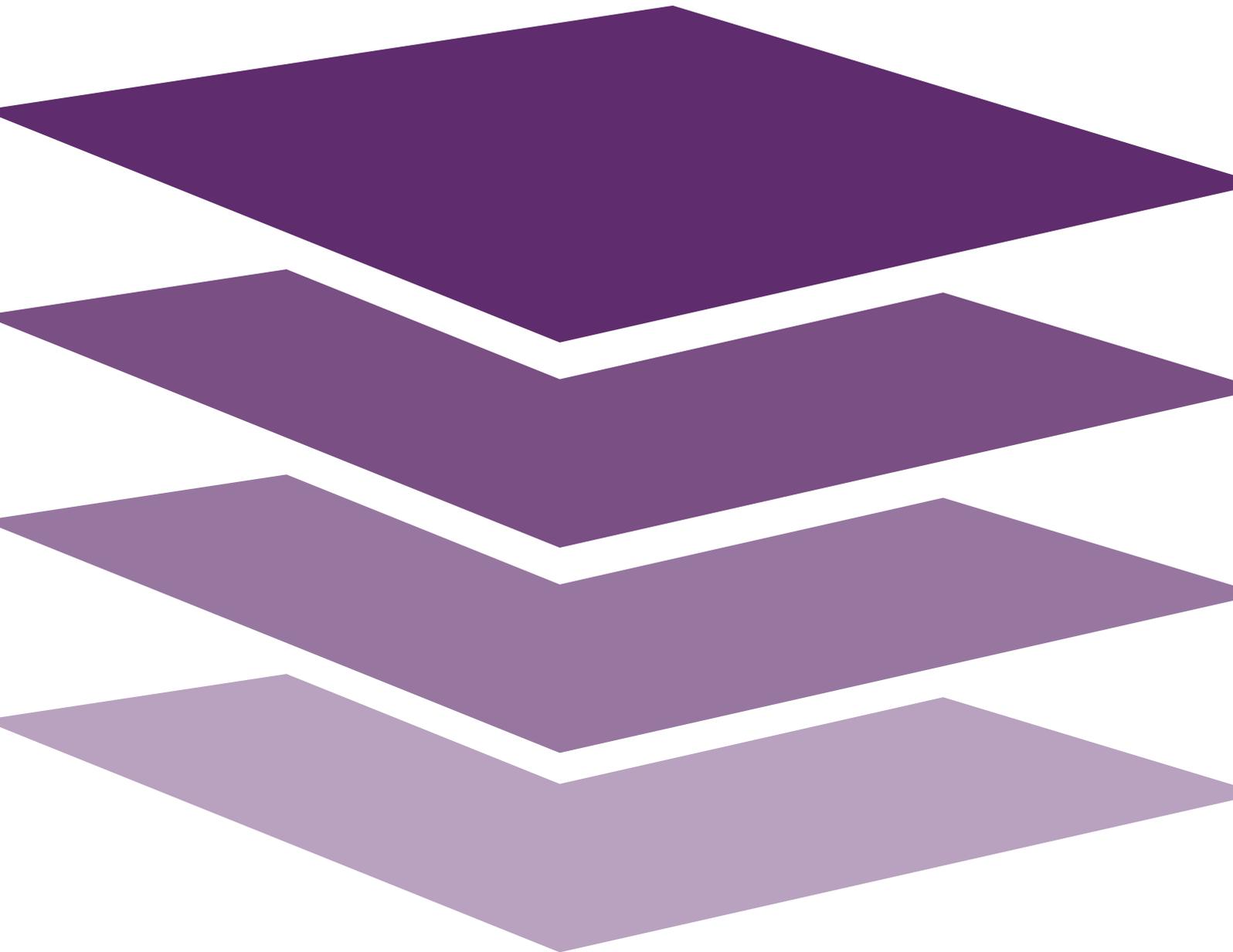
The Governance
Institute



BOARD
INTELLIGENCE

Challenges to Effective Board Reporting

A summary of research by ICSA and Board Intelligence



Challenges to Effective Board Reporting

Introduction

Earlier in 2017, ICSA: The Governance Institute and Board Intelligence surveyed 80 governance professionals representing organisations of all sizes and sectors on how board reporting (i.e. the preparation of reports and other papers that are discussed at board meetings) operated in their organisations. The aim was to understand the main challenges to effective board reporting, in order to identify actions that could be taken to assist organisations to address these challenges.

Main findings

Board packs are too long

Nearly three-quarters of all respondents (74%) believe that their board packs are currently too long. This figure rises to over 80% for larger organisations (defined as those with an annual turnover of over £100 million).

There is a clear correlation between the average length of board packs and the size of the organisation, rising from 125 pages for organisations with a turnover of less than £10 million, to over 250 pages for those with a turnover of more than £500 million. The research also shows that board packs are typically longer in quoted companies and the public sector than in other sectors.

These figures disguise considerable variation. 20% of respondents report that their board packs are usually longer than 250 pages, with 1% reporting board packs of over 800 pages.

Taking into account the average number of board meetings annually, large organisations are producing an average of 2,000 pages of information for their board members to absorb every year, and for many this figure will be significantly higher. Even the smallest organisations in the survey produce on average 750 pages of information for their boards alone.

These figures do not include the separate reports produced for board committees and/or executive committees. The existence of these committees can have a significant multiplying effect in terms of both the volume of information to be produced and the resource required to do so, particularly for larger and more complex organisations where they are usually greater in number.

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Challenges to Effective Board Reporting

Board packs are very time-consuming to prepare

The most common challenge identified by respondents is that board packs are too time-consuming to prepare. This was the view of 78% of total respondents, and over 70% of respondents from each sector.

This view is obviously informed by the belief that board packs are too long but it may also reflect a view that some of the information contained in the board pack is not essential (see below).

It is also likely to be influenced by the amount of resource the organisation is able to devote to this activity. It is notable that all respondents from the smallest organisations in the survey (defined as those with turnovers of less than £10 million) consider preparing the board pack is too time-consuming, compared to 76% of the largest organisations.

The data from this survey does not enable us to estimate the average resource required to produce board packs. There are a number of different activities that need to be taken into account when doing so, including: planning and co-ordinating the production of the board pack; writing and approving the individual reports; and the cost of distributing and printing the pack. Board Intelligence and ICSA are in the process of developing and testing a 'cost calculator', which will enable organisations to quantify how much time and money they spend on producing this information.

Getting the focus and balance of board packs right is a challenge

The volume of information that is generated for the board is not just an issue in terms of the resources required to produce it, but also in terms of its usefulness to the board. The test of a board pack's effectiveness is whether it enables board members to identify and understand the key issues for discussion at their meetings.

The survey results found that concerns about the usefulness and usability of board packs are not purely a factor of the size or complexity of the organisation concerned, but are shared to some degree by a majority of organisations of all sizes and all sectors.

A large number of respondents consider that the board pack is too focused on operational rather than strategic issues (68%) and on internal rather than external developments (56%), and that it is not sufficiently forward-looking (59%).

Challenges to Effective Board Reporting

While these concerns are shared by the majority of respondents from organisations of all sizes, some are felt most acutely by the smallest organisations. For example, 86% of them feel that their board packs are too operational and 71% that they are too backward-looking. By comparison, 64% of respondents with a turnover of over £500 million feel their board packs are too operational; this is still a significant percentage.

Analysis by sector suggests that most of these challenges are common to all sectors, although relatively speaking respondents from the public sector are less concerned about their board packs being too backward-looking and operational (43% of respondents from the public sector feel they are too backward-looking, as opposed to over 60% in all other sectors).

The process of preparing board packs can be improved

Respondents to the survey were also given the opportunity to identify other challenges to effective board reporting in their organisations. Just over 30% of respondents did so. Of those, 40% complained about receiving papers after the deadline; other issues identified included the lack of standardised reporting formats and managing the revision and collation of the various reports. This suggests that there is scope in many organisations to improve the process of producing the board pack, as well as improving its content.

Next steps

Following on from the research, ICSA and Board Intelligence intend to produce three tools to help organisations with the preparation and presentation of their board reporting:

- the cost calculator mentioned above, which will enable organisations to work out how much time and money they currently spend on reports for the board and its committees;
- a self-assessment tool to enable organisations to assess the length and balance of their board packs and identify ways in which they might be made more user-friendly and better focused; and
- guidance to assist company secretaries and governance professionals in addressing some of the challenges identified by this research.

The cost calculator will become available in the first quarter of 2018, and the self-assessment tool and guidance will be published in July 2018.

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Breakdown of survey respondents

Organisation size by annual turnover

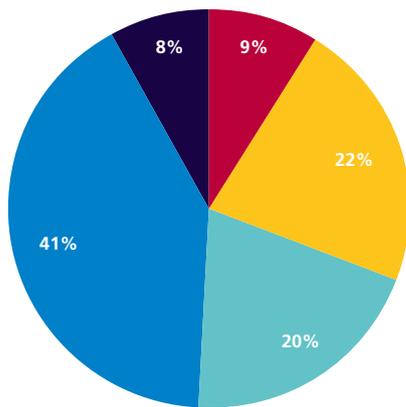


Figure 1.0

Sector

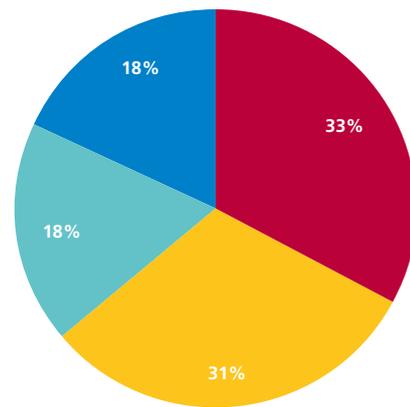


Figure 11

■ <£10m ■ £10m-£100m ■ £100m-£500m ■ >£500m ■ No Answer

■ Quoted Companies ■ Private Companies ■ Public Sector ■ Other

Total: 80 respondents

Length of board packs by range

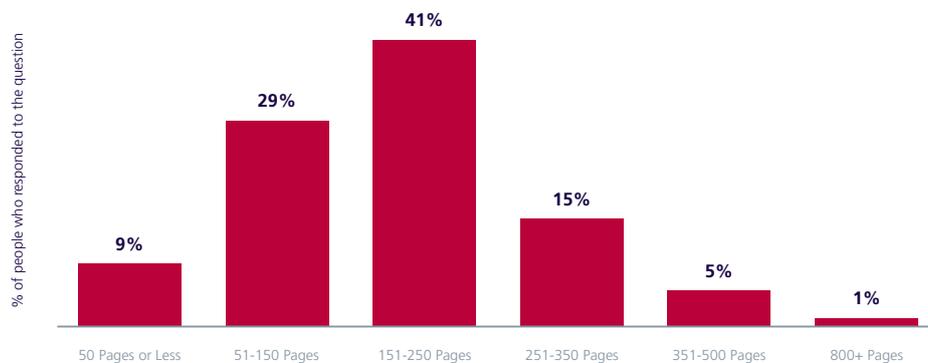


Figure 2.0

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Average length of board packs by annual turnover

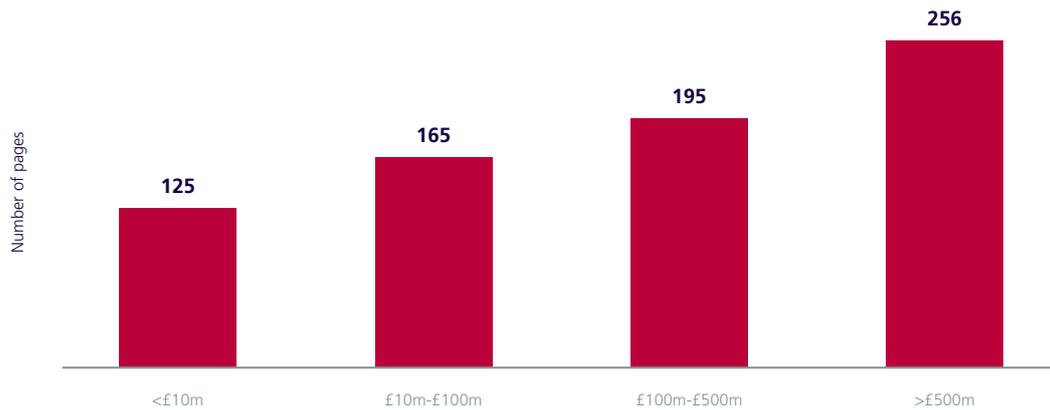


Figure 2.1

Average length of board packs by sector

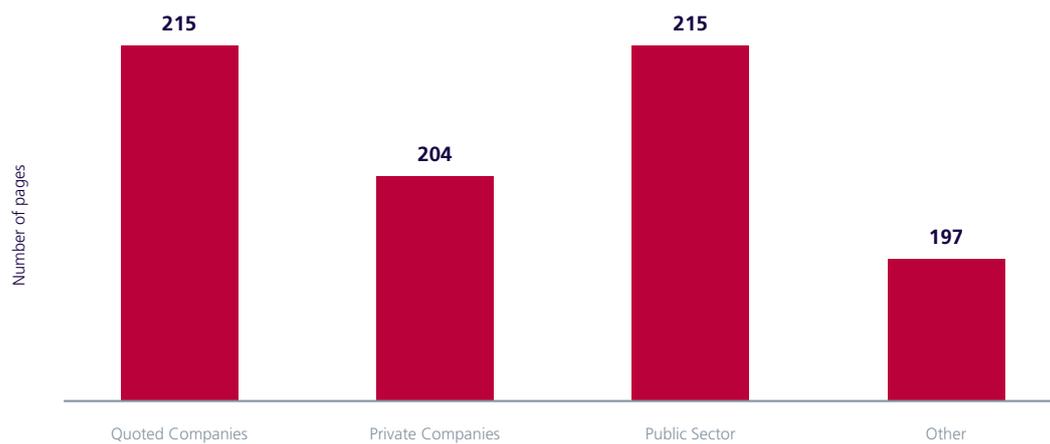
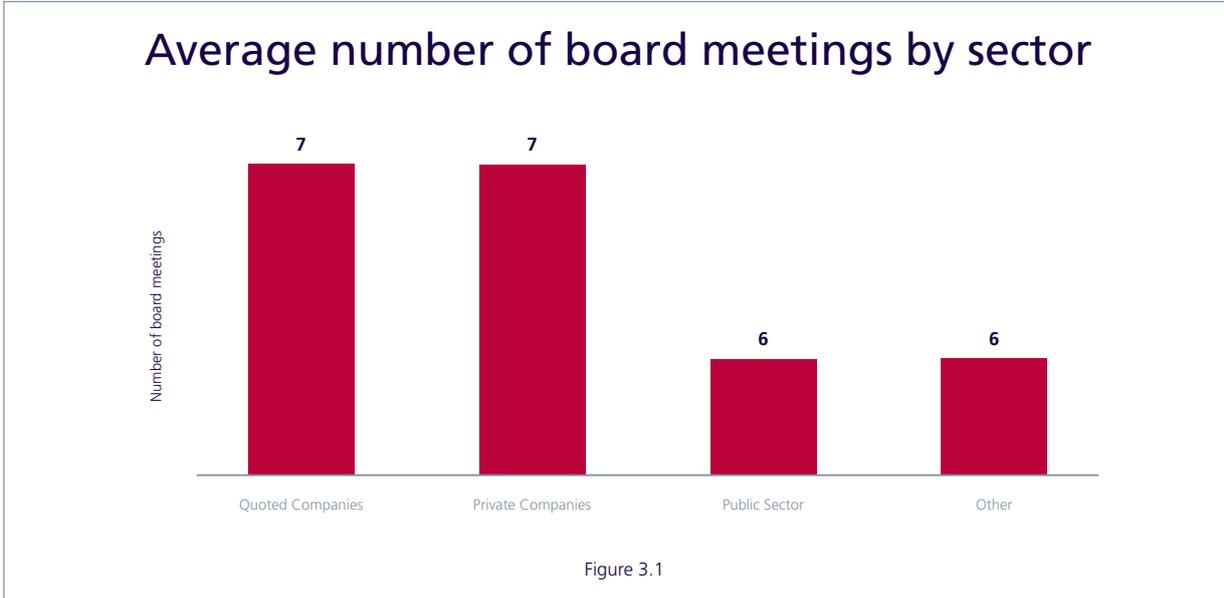
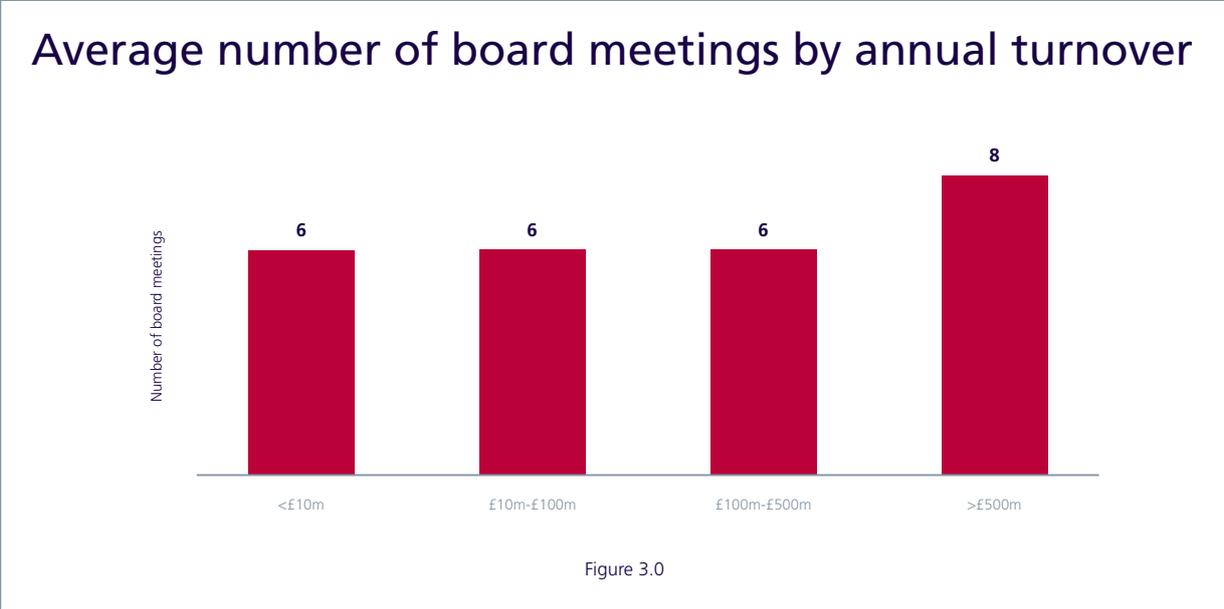
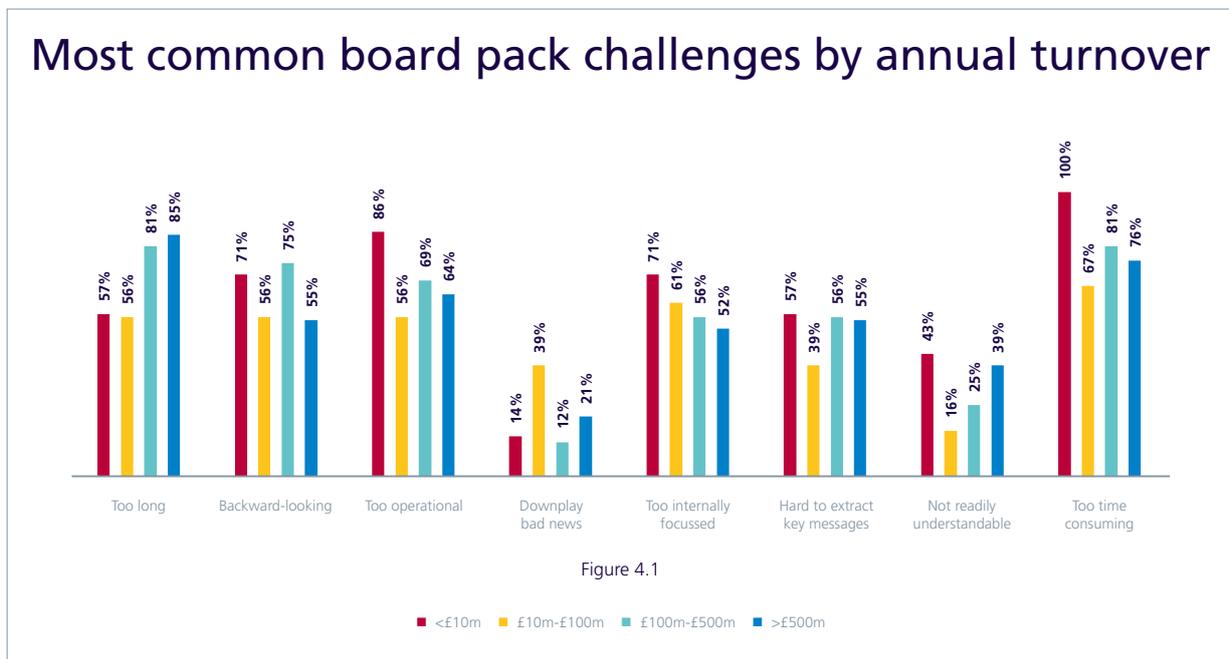
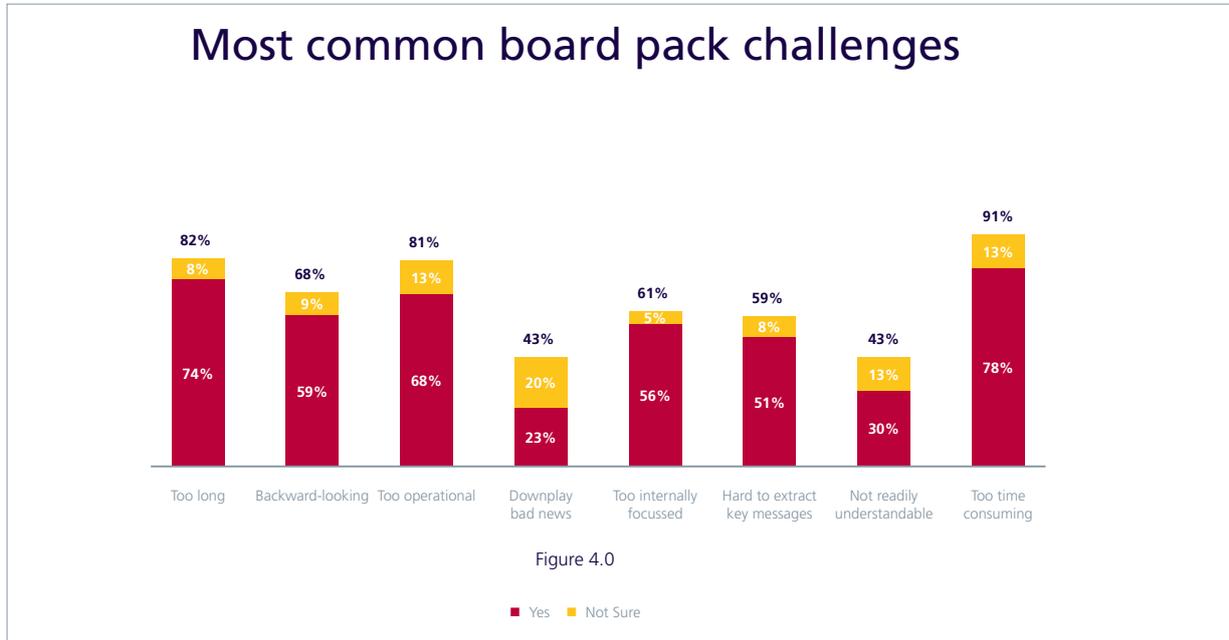


Figure 2.2

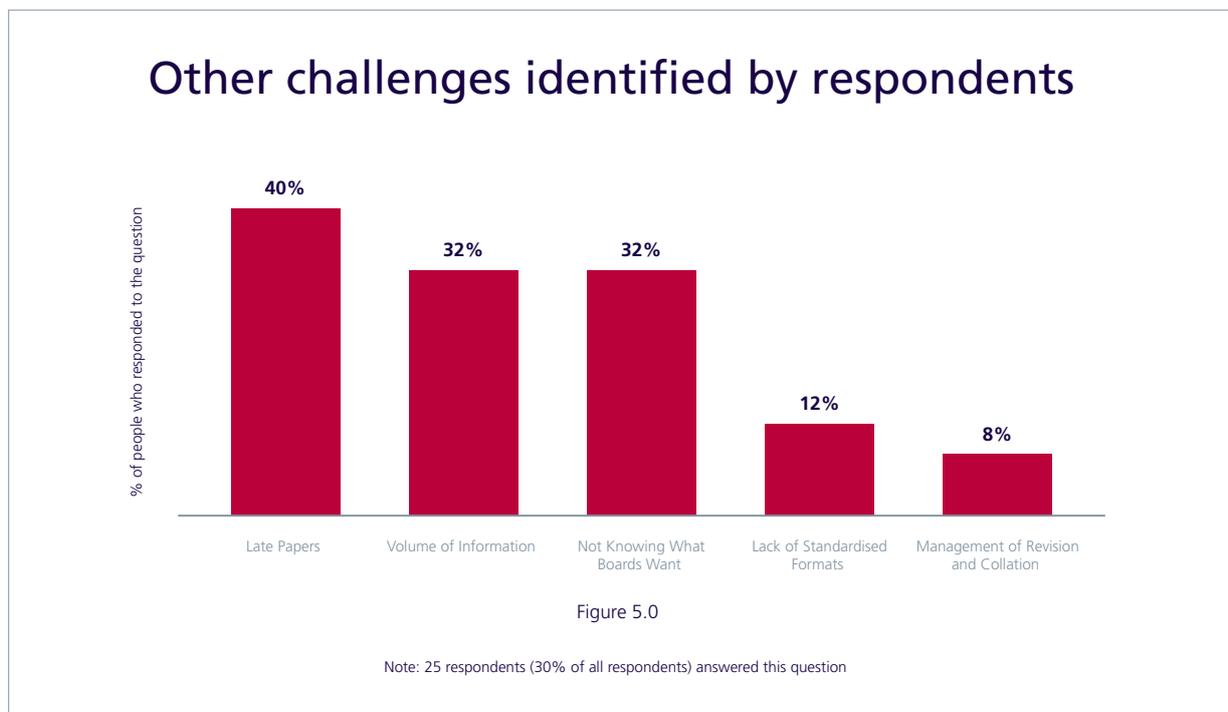
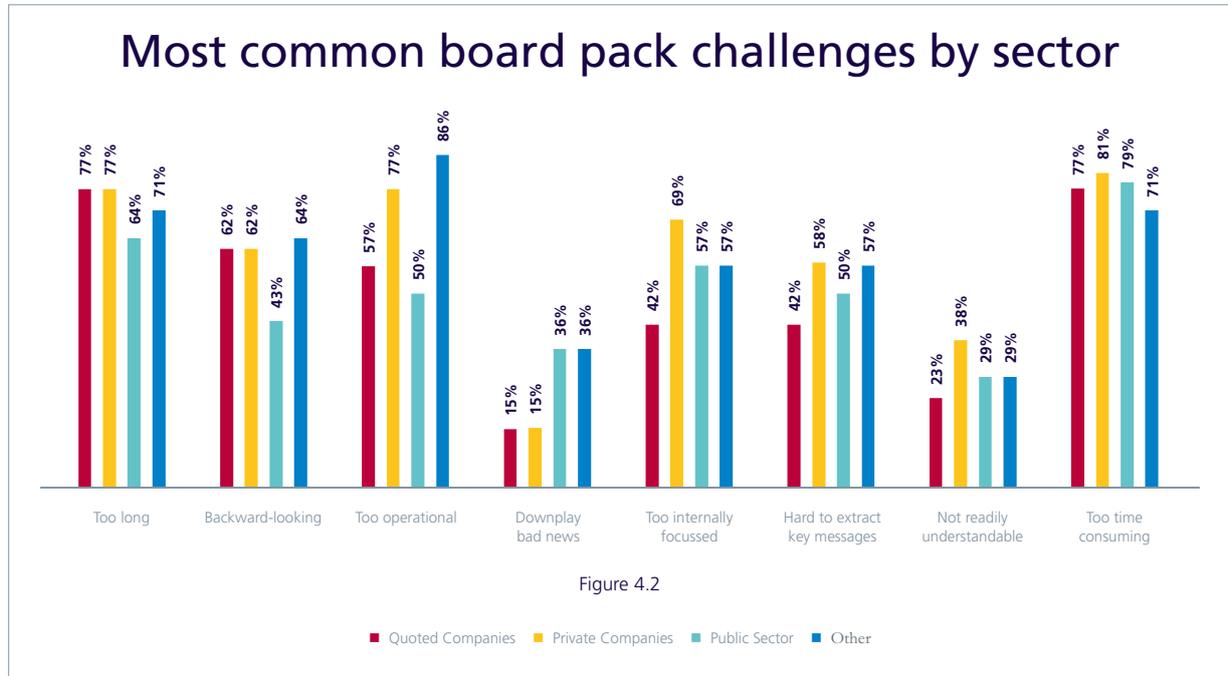
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