

Designing Effective Board Processes

Corporate directors exchange on optimal processes for an effective board operation before, during, and after the meeting

On July 22, Egon Zehnder held a session on “Board Processes” for board directors of India’s top public sector banks. Part of the Directors Development Program, the event featured a conversation between Vineet Hemrajani, who is the Managing Partner of the Egon Zehnder India offices, and Sanjiv Sachar, formerly of Egon Zehnder and now on the boards of HDFC Bank and KDDL. The discussion illuminated a multitude of methods for building more effective board processes, from optimal meeting scheduling to best practices for recording minutes.

Scheduling Board Meetings

One of the first questions posed by Vineet Hemrajani was: How frequently should boards meet over the course of a year? It’s become a complicated question, and Sanjiv Sachar said the thinking on it has “evolved.” That’s because the typical schedule of a smaller number of expansive meetings that last entire days has a big drawback: “The feedback was that the day was too long and, let’s face it, after a certain number of hours there’s a fatigue factor,” Sachar said.

This “fatigue factor” can result in directors tuning out of discussions and not asking the relevant questions or developing the proper insights. “Which is very unfair, very unprofessional, and not what the role of a board member should be,” Sachar said.

Instead, Sachar recommends scheduling half-day (or shorter) meetings that cover more focused areas or topics. Full-day board meetings can be reserved for bigger topics, like discussing quarterly results.

“Out of the 11 meetings that we have, four will be full days,” Sachar noted of his own experiences. “The balance are half-day meetings.”

Setting a Well-Balanced Agenda

Before any board meeting even starts, leaders should develop a specific agenda that touches on the angles that the given topic demands. Sachar calls this a “well-balanced” agenda—for instance, an agenda that allows discussion on a topic’s operations angle, compliance angle, and strategic angle.

Sachar recommends that the board chairman gather inputs about what to discuss before each meeting. These inputs can come from board directors, but also management representatives, shareholders, or independent directors. Of note is that some board charters mandate certain agenda items be discussed at certain times, so more open-ended topics should be scheduled around those mandates.

Just as important is making sure the agenda allows for adequate time for each of these aspects. “Because if you don’t allocate the right amount of time, then you are going to rush,” said Sachar. “You’re going to have many, many agenda items. Then it will become a tick in a box.”

The timing aspect should also take into account questions from the directors, which may end up extending discussion longer than originally anticipated. Allowing space for these discussions is another reason the thinking on meeting scheduling has evolved, as discussed above.

“Let’s not restrict ourselves to having that once-a-quarter board meetings,” Sachar said. “Frankly, that will never work. You will always be pressed for time. And you will always miss certain points.”

Keeping Committee Deliberations in Committees

One of the issues raised about setting efficient agendas was regarding board committees and subcommittees. An audience member asked what to do about committee deliberations taking up time in board meetings—for example, when a director wants more information about a committee decision they weren't privy to, even if board time wasn't allotted to that subject.

Sachar said that it is crucial to build trust between directors, which can allow decisions to be made in committees even when every director won't be familiar with the exact proceedings. "Because if you were to again have the same proceedings in a board meeting, then it's an absolutely waste of time," he said.

It's also a sign that directors haven't built trust with the committee, which should be reconciled. "Look, we rely on our colleagues to debate these issues because these are people who have the expertise in their respective areas," Sachar said.

Preparing Board Agenda Papers

The board's agenda papers are critical tools for running an efficient meeting. Sachar says the papers should be sent to the board no later than seven days before the meeting. And once directors have them in hand, they should take quality time to read through and absorb them.

"That is very, very important, because a number of times I've seen that information was there with us in the papers, but we didn't bother to go through it," Sachar said. "And we are jumping to ask the person who is making a presentation a question, and the person says, 'Just wait, two slides later you will get your question answered.'"

One way to help this along is giving a summary in the papers and before the presentation, telling directors exactly what decision or change the discussion will focus on and boiling down potentially hundreds of pages into a core information brief.

"For example, if there's a change you're recommending, it's important to indicate upfront why this change is being made," Sachar said. "Highlight where the change is. And you can then indicate that look, if you want to, if you have the time, then you can read the entire policy. But this is where the impact is being made."

Recording Meeting Minutes

A meeting's minutes may seem like an afterthought, but the work required for them must be painstakingly precise.

"I think minutes are an area where there is a lot which needs to be done," Sachar said. "There has to be extensive training for people who are going to be capturing the information of the minutes."

Minutes must capture the meeting's overall discussion, but also the words and ideas of individual directors. They must chart the flow of how the board came to make a decision, as well as document any dissents to that process. This is how many regulators evaluate corporate governance, Sachar warned, and problems may arise if minutes are not well-captured.

"Even if I was not in that room, I should be in a position to get the sense of who said what, why did this person say this, and what was the question asked," Sachar said. "So one of the things that we insist is that the secretarial department, the people who are capturing the minutes, should go through a very formal training."

Boards are typically sent a draft of the minutes after the meeting. Sachar recommended that directors carefully read over this draft and make comments where they feel something was left out or incorrect. "I will go through those minutes and if my views are not expressed, it is going to give me discomfort."

One new element of the minutes system that was brought up is the recent trend of video recording of board meetings, as more action has moved to online spaces. This may have the effect of making the classic idea of minutes unnecessary, but also brings up other issues. One audience member outlined how directors' heated debates may be softened in the eventual minutes in order to present a better picture to outsiders, but a recording leaves no such room for downplaying disagreement—and this may inhibit debate.

Sachar said that recording or not, directors should not restrain their own voice. "If you've taken on a board membership, you've taken on a board membership to be independent, so be a professional and express your views or what you feel should be the decision," he said. "Even though you may be in minority, do express your view."

Developing the Necessary Secretarial Infrastructure

Vineet Hemrajani's final question to Sanjiv Sachar was about how to "make this all happen"—the process of communicating meeting information to directors, timing the agenda, running presentations, recording minutes, etc. Who should be responsible for ensuring all of this runs smoothly?

"If you want to ensure that all the aspects of governance that we've been talking about are properly handled. There has to be a very clear-cut sort of infrastructure," said Sachar. This is the secretarial infrastructure, and Sachar said that it should be comprised of multiple people with different responsibilities. And team members' backgrounds should not just be in secretarial work, but law and regulatory work as well.

"Let's not confuse this with just purely administrative work," Sachar said. "This is not someone who's going to call up and say, 'Just to let you know, the meeting is on so and so date'. These are people who would be in a position to tell you what the charter of each of these committees are, who will tell you that these are the changes in the law, and therefore we need to have a meeting, for example."

Training for such positions should be constant, with each person constantly "upgrading their knowledge"—a responsibility that board directors themselves should assume as well, as Sachar said in closing.

"There is a trap that each one of us falls into initially when we get inducted onto any board," he said. That is, one can be brought onto a board because of his or her expertise in a particular area. But if a director only participates in discussions about that area of expertise, and doesn't take time to learn about new areas and contribute to those conversations, they are doing themselves and their companies a disservice.

Said Sachar: "I may not be an expert, but if I don't apply my mind, if I'm not asking those questions, if I'm not concerned about the discussion, then I'm not playing the role of a board member."

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