

Designing the annual CALENDAR

Zilla Efrat provides some tips on how to better plan the board's annual calendar.

Designing the annual board calendar isn't rocket science. But by doing a bit more than just replicating last year's calendar, you can ensure that your board has more meaningful meetings that lead to better decisions.

In their book *Boards that work: a new guide for directors*, Geoffrey Kiel FAICD and Gavin Nicholson FAICD note that a board calendar can be much more than a list of dates, times and venues for board meetings. It can act as a valuable planning tool.

Kiel and Nicholson say a well-designed board calendar can:

- Ensure that specific items are discussed at the appropriate time;
- Ensure that enough time is allowed for preparatory work leading up to a major meeting;
- Ensure that routine (but less interesting) aspects of the board's work are not overlooked; and
- Provide clarity and direction for meetings so that repetitive discussion is avoided.

Just how a board calendar is designed will depend on what kind of organisation the board governs. Calendars of listed companies, for example, will be designed around key compliance dates, such as the date of annual returns and ASX reporting requirements.



‘Developing an annual calendar that reflects last year’s is probably not going to answer the questions you need to answer in the current environment because the world has changed.’ Steven Cole

Similarly, those for public sector boards will be dictated by when reports need to be tabled before Parliament and other regulatory requirements.

After that, other key activities that are not time specific can be added, such as presentations by executives and strategy meetings.

Stephen Gerlach FAICD, chairman of Santos, Futuris Corporation and Challenger Listed Investments, says the calendar design will also depend on where an organisation is in its strategic cycle – for example, if it's being restructured, has had a change in management or culture change.

“Much time and effort will be spent on these things and in understanding what is happening, so they must be built into the calendar,” he says.

The calendar for, say, two listed companies shouldn't necessarily be the same.

Nicholson, who is also an experienced director, governance researcher and board consultant, says: “The calendar must be designed for your company, its circumstances and its governance systems. You can look at what other boards are doing as a starting point, but you may run into problems if you just follow what everyone else is doing. You need to question why you are having events at certain times and why things are done certain ways.”

Before you start, it's also important to remember that board calendars are a work in progress and should change with the times.

“Different issues need to be addressed from year to year so these need to be live documents,” says Gerlach.

This applies more so now, given the rapidly changing business environment, the effects of the credit crunch and economic slowdown across the globe.

Steven Cole FAICD, a chairman of several companies and president of AICD's WA Division, adds: “Developing an annual calendar that is simply reflective of last year's is probably not going to answer the questions you need to

answer in the current environment because the world has changed. Having a strategy session in, say, September, when you usually have it, is about nine months late.

"Depending on the circumstances of its company and the impact of the current climate, a board that had six meetings a year probably needs to think about having a few more meetings in the next six months so that it can closely monitor the market changes. Having a risk management review sooner, rather than later, may be something the board should consider because risks have changed and new risks have emerged."

Here are some tips to help you design a better board calendar.

First cab off the rank

Corporate governance consultant and company director, Julie Garland McLellan FAICD, says the process should start as early as possible. You get the jump on other boards. Directors have other jobs and sit on other boards. Those who develop their calendars late will have more challenges in juggling their directors' conflicting commitments, she says.

Don't waste the board's time

Spending time on dates and diaries during board meetings is not effective. Date conflicts can be resolved by the board secretary or the administration support via email between meetings, says Cole.

Think things through

Nicholson says: "Be logical about the order in which you place things. Your board cycle must make sense."

Similarly, McLellan says: "You need to have an idea of precedent. Some things follow on from others - for example, the strategy meeting should follow the budget meeting. You need to ensure that they follow on in sync."

Be flexible

Kiel and Nicholson say that the board calendar will remain a useful tool as long as it's regarded as a guide

and not something fixed and unchangeable. As issues arise throughout the year, the board's priorities will change. So the calendar should allow for these changes to be accommodated.

Provide details

"Don't just think of standard board events. Put in committees and other board events and functions, so that you and the directors can get a consolidated view of the board's workload over a year," says Nicholson.

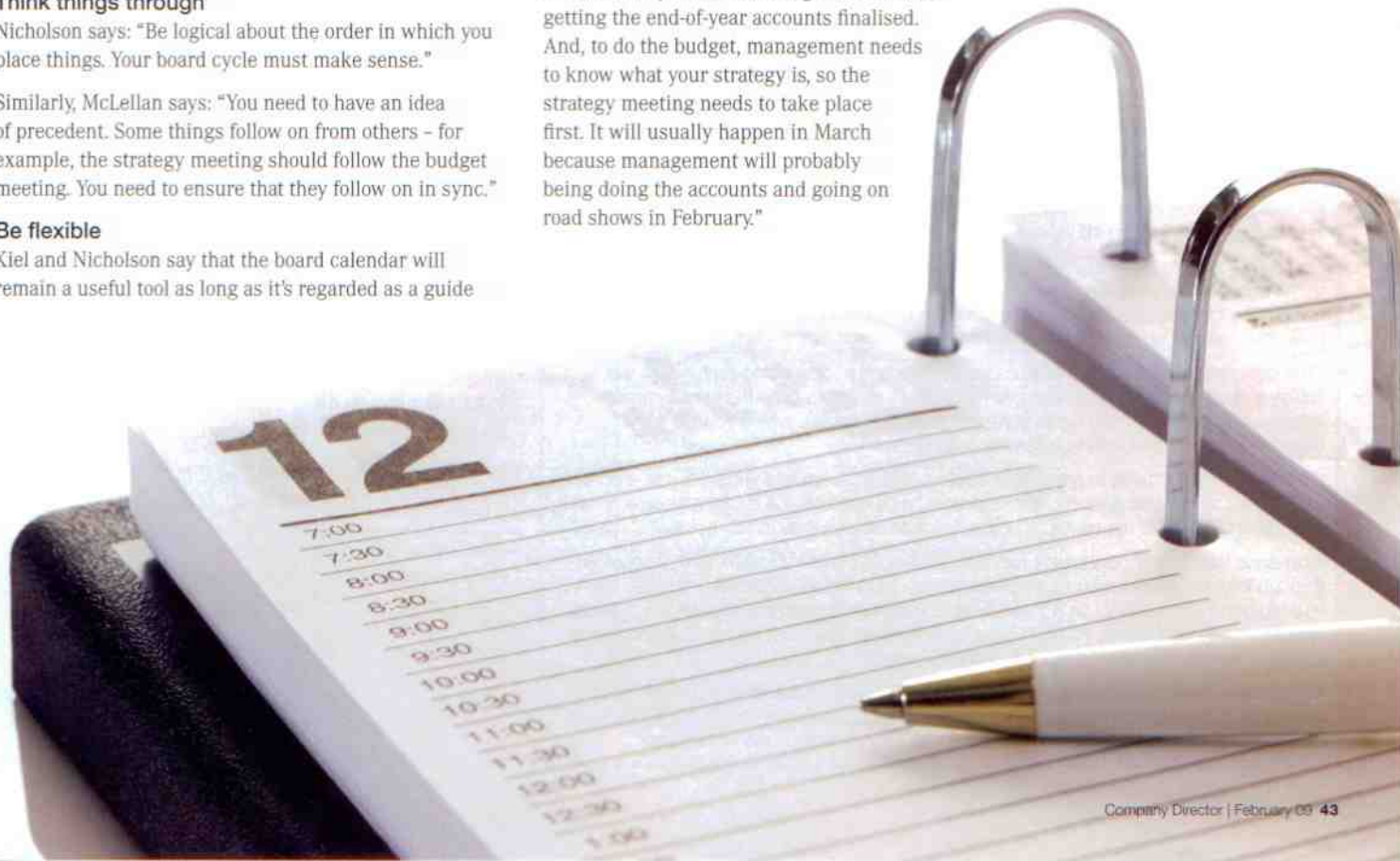
'Directors have other jobs and sit on other boards. Those who develop their calendars late will have more challenges in juggling their directors' conflicting commitments'

Julie Garland McLellan

Think of management

"Your calendar should be driven by management's time. If you put too much on management at one time, it's somehow not going to be done well," says Martin Kriewaldt FAICD, a director of Peptech, Suncorp-Metway, Oil Search, GWA International Limited and Campbell Brothers.

"For example, for many companies, the budget needs to be approved by the end of June. You don't want to do that in July because management will be getting the end-of-year accounts finalised. And, to do the budget, management needs to know what your strategy is, so the strategy meeting needs to take place first. It will usually happen in March because management will probably be doing the accounts and going on road shows in February."



Planning the strategy meeting

The annual strategy meeting needs to be carefully planned so you get the most out of it.

Corporate governance consultant and company director, Julie Garland McLellan FAICD, says before you start, you need to understand the philosophy of your organisation and how its strategy is developed. Questions to ask include:

- **Where does our strategy come from?**
- Who develops it?
- **How do they develop it?**
- What's the best way to engage those who develop the strategy?
- **At what point does it make sense to obtain their input?**
- What do we want to achieve from the meeting?
- **Who should facilitate this meeting – an external person, the chairman, a director?**

Martin Kriewaldt FAICD, a non-executive director of Peptech, Suncorp-Metway, Oil Search, GWA International and Campbell Brothers, advises against organising a strategy meeting that's tacked onto the back of a board meeting. Directors are likely to be too exhausted from the first meeting to contribute effectively to the second meeting, he says.

Like Kriewaldt, Steven Cole FAICD, a chairman of several companies and president of the AICD WA Division, believes that a strategy meeting is best held offsite because it stops participants from being distracted by operational issues.

A two day session is considered to be a good length. Also important is getting the background information needed to board members in good time. "You don't want directors to be learning new stuff for the first time during the strategy meeting," says McLellan.

Cole observes: "Strategy meetings don't just happen. There needs to be a lead up to them and there needs to be a flow of information regarding the strategies that will be proposed or that are likely to evolve at the meeting... You need actual papers put together with firm propositions that can be debated rather than allowing everything to just come together in a boiling pot at the time."

"The board's time is valuable," adds McLellan. "If presentations are being made, make sure these are succinct. They could, perhaps, involve five minutes where the key points are outlined and 45 minutes of questioning. Directors should come out of these meetings exhausted. They shouldn't feel that they just sat around and listened."

Stephen Gerlach FAICD, chairman of Santos, Futuris Corporation and Challenger Listed Investments, stresses the need for robust discussions at the strategy meetings. "You have to make sure that management don't take the directors for granted and that everyone has an opportunity to talk about the issues," he says.

Kriewaldt believes in a three-fold horizon strategy meeting – what are we doing this year, in three years time and in 10 years time?

"If you are going to do this properly, you really need external people coming in and talking to the board about what they see as indicators on the horizon for the economy generally and for the industry you are in. You also need a good analysis of your competitors and how you measure up against them," he says.

"The best strategy meetings I've attended had several people doing that. It sets the scene and can challenge perceived views of where directors think the company and industry is going. From that big picture, you can then discuss where you want the organisation to go and how you can make it happen."

Kriewaldt advises boards to make their strategy meetings fun and suggests that a portion of the meeting have no agenda. "Management has a fear that the board will come up with ideas so it tends to fill the space. A board needs to reserve time to talk generally."

Cole adds that time should be left for informal discussions. "A lot of things get resolved through informal sessions and they often help conclusions to be reached. It's also vital to ensure there is sufficient time to address issues in depth and to not pack the agenda with too much for the day. You also have to be flexible. You must be able to change the agenda if a really important thing is being dealt with."

McLellan adds that a follow up after the meeting is crucial. "Directors and management should be told what will happen to their input and when they can hear more about it. They need to see that something was done with all that stuff on the whiteboard."

Seek input

Gerlach says he uses the board review process and other discussions with directors and the CEO to determine areas directors would like more focus on and which should be built into the calendar.

Leave time for other activities

McLellan says it's important to build in extra time in the calendar in case things slip and for informal events or director education sessions.

Likewise, Nicholson says: "Don't jam pack the calendar with too many events. Expect the unexpected to happen. Leave time to deal with emergent issues as they come up."

Gerlach adds: "The board is a learning board. Understanding this throws up things that need to be added to the calendar."

"For example, a session on what's happening with fair value and the need to adopt these into the accounts should be built into the calendar at the time directors need to focus on accounts."

Kriewaldt advises building site visits into the calendar.

"Just walking through a warehouse and seeing how much stock there is will give you a much better feel about the company than looking at the inventory numbers in the monthly balance sheet. Whether a factory is kept clean and how well they induct you onsite will give you a feel about whether management is really practicing OH&S or just paying it lip service," he says.

Cole agrees with this view, even in the current toughening business climate. "Despite the costs, site visits are probably still worthwhile, especially for non-executive directors to get that hands-on feel," he says.

Meanwhile, Brand Hoff FAICD, president of AICD's ACT Division Council and a director of several organisations, believes that time should also be built into the calendar for non-executive director meetings.

"Non-executive directors should meet for a short period before meetings. Otherwise, they could get the wool pulled over the eyes. This meeting could last 15 minutes to half an hour. It will give them a chance to assess where their priorities for the board meeting should be."

"It's a bit like a football team deciding before the match what tactics to use on the field," says Hoff. **□**

An example of a board calendar

XYZ Ltd Board Calendar (based on financial year end 30 June)				
Dates	Major Items	Other items	Committee meetings	Department presentations
JANUARY	Strategic review Yearly board program		Nomination committee meeting	Director and Board Development
FEBRUARY	Plan for next month's board strategy session	Confirm/review board committee charters Investment strategy meeting	Compliance committee meeting Risk management review Audit and compliance and Insurance program	Marketing manager presentation
MARCH	Strategic planning session Commence budgeting process Internal review of budgets	Board/senior management retreat Review delegation and signing authorities	Audit committee meeting	Operations manager presentation
APRIL	Draft strategic plan (initial review) Review of CEO	Commence board performance review	Remuneration committee meeting	Site visit
MAY	Ratify strategic plan	HR plan Capital expenditure	Audit and compliance – planning external audit Compliance committee meeting	Human resources manager presentation
JUNE	Final approval of budget	Draft next year's board dates	Audit committee meeting HR and remuneration/bonus pool review	CEO presentation
JULY	Review results for prior financial year	Risk management review	HR and remuneration – salary and bonus allocation Nomination committee meeting	Director and Board Development
AUGUST	Draft annual report (initial review)	Corporate governance review	Compliance committee meeting	Site visit
SEPTEMBER	Annual report – AGM final approval Annual returns Notice of meeting	Investment performance review	Audit and compliance – Annual report Audit committee meeting	Investor/public affairs presentation
OCTOBER	AGM and elections	Board composition succession planning		
NOVEMBER	Board/management strategic review Review of CEO Review of chair	Board performance review	Audit and compliance Insurance program Compliance committee meeting	R&D presentation
DECEMBER	Board meeting		Audit committee meeting	