



March 2016

## Devilish Detail

The quality of board papers is a well-trodden topic which has typically received a lot of air time in most boardrooms. And we tackled it in our January bulletin in highlighting the importance of setting out expectations. But one aspect worth tackling in more detail... is the question of detail. So often we still see lots of frustration over the too much/too little conundrum. And it really does matter: the amount of detail in papers can often set the tone and the direction of the discussion... operational focus can detract from the important strategic issues... the meeting dynamics and dynamism can be dented as directors wallow in just too much information... critical points can get lost in the "wood for trees" ... or (less common but still possible) discussion can be superficial because NEDs haven't got enough to go on. It's important to get the balance right – so here are a few tips and traps.



THE EFFECTIVE DISCUSSION

### Good practices to consider...

Recognise that different people have different ways of handling information. Some find it best to start with the big picture and dive down to detail on occasion. Others need to start with the detail and build up to the big picture. To get the best out of NEDs' necessarily limited involvement, they need to be provided with the information that suits their individual ways of working with it. Generally, the best way is to start with higher level information – that at least keeps the length of the board papers down – and make more detail available for those who need it. That means countering the natural tendency for papers to grow.

Think about how to structure the papers so that the different needs of different directors can be accommodated without undermining the impact of the paper. Start from the basic essential of an effective summary – then work out how to provide detail without this reducing ease of use and clarity.

Be exacting about using appendices. There should be a reason for their inclusion – and not just "let them have it as we've got it". And just because papers are provided electronically, it's not OK to load up the appendices.

### Things to avoid...

Assuming that everyone handles information in the same way that you do, and then getting frustrated when they don't. No amount of subtle reprimands will turn a detail-builder into a big picture person. They can still contribute to the big picture – but only after they've got clear on the detail. And conversely, some people are unable to contribute on more detailed points if they haven't first established in their own mind how it fits into the overall scheme of things. You can't change this so you need to work with it.

Allowing demands for detail from some to overwhelm the succinct paper needed by others (in practice, often the majority). Yes it's difficult for management to meet conflicting demands but this shouldn't become an excuse for settling at the lowest (fattest) common denominator. It's always possible to combine effective summaries with detail being shunted to appendices.

Thinking that "the detail can go in an appendix" is a license to bung in whatever you like. Vaguely relevant management papers or turgid legal documents do not magically turn into board papers just because they are put into an appendix. Information still needs thinking through and structuring properly to make sure that it's suitable for use by the non-executives.

## Good practices to consider...

Better still, make the detail available elsewhere, such as in a “reading room”. With the use of board portals, this is now easier. It helps avoid the problem of long papers and volume, and it imposes discipline on preparers by requiring that the formal board paper is self-sufficient. And it also tests how committed those who want the detail really are – if it’s truly important to them, they will take the trouble to seek it elsewhere.

If the Board feels the detail has to be there because the regulator sees it as part of being “an informed board”, separate it out (for example into a “Book Two”) and make the purpose clear.

Where relevant, use signposting from the main paper itself to relevant sections of the appendix. And make sure the appendix itself has some form of introduction explaining what it contains (possibly using a contents page) and why it’s being provided.

When including detail in the main paper, make sure that the key points and information are pulled out and made visible in a short summary, not left buried. Use a fresh pair of eyes – the executive committee or some other form of management challenge – to test whether that’s been achieved, or whether there are some points in management’s mind which really aren’t that apparent from the summary.

Make sure management always ask “Does a non-executive really need to know this?” and “Will it contribute to an informed discussion?”. To take out superfluous detail, both the author and the final reviewer should be asking these questions and getting out the red pen to remove the unnecessary.

Minimise the use of PowerPoint slides. As well as being good practice in ensuring well-presented explanations and arguments, short and structured papers using prose and paragraphs help: the detail often has to be dropped to get the paper down to the permitted paper length.

Involve the company secretariat in enforcing standards. Eliminating detail means constant guidance, help and push back. And whilst that in part will come from executive review, much more active policing might be needed to stop the detail creeping back.

## Things to avoid...

Just thinking that because the detail is put into an appendix the problem is solved. Lengthy appendices can still make a paper feel very heavy and burdensome (possibly literally if it’s still in printed form). And often directors will feel that if an appendix is included in the formal board papers, they are obliged to read it, just in case it contains something they ought to know about.

Putting everything in “just in case”, and to fend off any accusation that the Board failed to be diligent in briefing itself on every detail. The risk is greater if you overload the directors so they fail to appreciate the importance of something buried in the information – the “wood for the trees” risk is a very real one.

Simply sticking it on the end as a separate section. If it’s a standard set of data (eg detailed financials) that is regularly provided, it may not need much explanation. But in other cases, its presence and purpose should be explained.

Rushing the paper through so there’s little or no opportunity for management to stand back and ask whether what matters is clear – or whether it has (unintentionally or intentionally) become buried. It’s best not to rely solely on the author – they have probably come too close to the topic and the paper.

Failing to recognise that, just because some aspect of technical detail might be interesting to the manager (as an engineer, lawyer, IT expert, miner, derivatives trader...), it might be of no interest to a non-specialist. And have no relevance at all to a director’s understanding of an issue, and so contribute nothing to the Board’s deliberations.

Letting a “slide deck” become an excuse to include lots of detail. Just because spreadsheet extracts and detailed charts look good in a slide doesn’t mean that they are worth including. And just because they are slides doesn’t mean it’s acceptable to deliver lots of pages. Equally, don’t allow slides that are short only because they have been abbreviated to bullet points that don’t mean much without long explanation.

Allowing standards to start slipping, permitting inconsistencies and letting one-off requests become standard items. Once that slippage has been permitted – or they see others being given leeway – it can be difficult to get it back on track. And quite soon you will end up back where you started, with detail overload.

## Good practices to consider..

Regular board papers have a tendency to expand over time, so have a periodic weeding-out exercise. If you're a non-executive, help management to understand what you want, don't just complain that "there's too much detail".

## Things to avoid...

Just accepting the level of detail for what it is, while grumbling about it privately. If you find it detracts from your understanding or makes your life as a NED more burdensome, say so. And don't just assume that others want it the way it is and so you should keep quiet. It's rare for a board to be as divided on this issue as it thinks it is.

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BOARD REVIEW

