



The CEO Report

Quite rightly, boards believe that one of their fundamental responsibilities – one that brooks no room for a mistake – is getting in place the right [CEO](#). Naturally, they see the CEO as the leader, the innovator, the driver, the motivator, the tone and values setter... and the one who is ultimately accountable (or should be). So it would seem obvious that the CEO's Report needs to be at the heart of the board meeting. Yet all too often it can be a bit of a non-event. Here we look at how you can make sure that isn't the case – and things that lead to board meetings that fail to hit the right note with a good CEO Report.



Good practices to consider...

Make the CEO Report the foundation of a strategically-focused [agenda](#), keeping the two linked around strategic themes.

Have the CEO and [Chairman](#) discuss the CEO Report at an early stage of development, keep it linked with [strategy](#) and help make sure it's going to cover the questions that are likely to be uppermost in the directors' minds.

Connect the CEO Report with the rest of the agenda by reflecting in the CEO's comments why a paper or proposal is being brought to the Board, and the CEO's own reflections on its strategic relevance and what needs to be considered by the Board.

Support the CEO Report with an "overview" [report](#) of KPIs and qualitative commentary which explains progress against milestones and strategic targets, the uncertainties, what needs to happen to keep things going or get them back on track – and the challenges. That's pretty much at the heart of what the Board wants to know.

Things to avoid...

Letting the CEO Report be just one more of those things you have to get through, along with all the other governance stuff that takes up all the time and means you never have enough for [strategy](#)...

Allowing the Report to cover solely what the CEO thinks they want to hear about. That might work but it could be a bit hit and miss. With the CEO very much focused on the world as he/she sees it, it's likely there will be other angles and questions in the minds of the NEDs. The Chairman should be in a position to help anticipate these.

Regarding the CEO update as a standalone agenda item. It should have a clear beginning and end – but it needs to act as an introduction to nearly everything that follows. It has an important role to play in positioning the other items.

Leaving performance reporting to the CFO. That's likely to result in a financially-based report focusing on current year outturn versus budget and last year. That's all part of reporting on performance – but only part. Commentary on the results and what's underlying the outcomes is useful, but there will be many aspects of performance against strategy that the financial report doesn't do justice to.

Good practices to consider...

Use the report to capture what is uppermost in the CEO's mind – and on the minds of the executive team. That means an update on priorities, uncertainties, constraints... and how the [executive](#) are responding.

Put the CEO's Report at the beginning of the agenda. That way it sets the scene for items that follow. It also helps make sure that there is a strong strategic flavour to the rest of the meeting – with the Board in a better position to relate issues to the challenges and opportunities set out by the CEO.

Talk about the customer. And not only in terms of sales figures and big new contracts. Celebrate successes – but also talk about disappointments. Set out new developments in the customer offering – but don't leave out what the competitors are up to. And from time to time use the CEO slot to reflect on signs of the way customer needs might be changing.

Consider the other stakeholders. The CEO will have a clear idea of what's been happening in the media, with the regulators, with the NGO's, on the political front. So this is a good time to share these developments and think longer term about reputation and relations.

Look to the future by setting out the executive view of the world for both the short term ("What are we having to deal with right now?") and the longer-term ("What mustn't we lose sight of?").

Think about "change". Different internal pressures might be covered in other items linked to specific divisions or operations. But it helps when the CEO's Report brings together a picture of the level of organisational stress and how the related [risks](#) are being managed.

Make sure that the report is written by the CEO – or at least the introductory headlines. If it's ghost-written, ensure the CEO is closely involved in setting the tone and headline messages.

Include the paper in the pre-read so that directors have a chance to think beforehand about the major issues the board meeting needs to address. Also, it helps put the rest of the pre-read in context. A well-written CEO report read in advance can act as the cornerstone for a strategically-focused board meeting.

Things to avoid...

Leaving the Board with only a hazy view of the immediate challenges or of how the executives see the future (both short and long term). It needs to know what might be round the corner – and there's probably nothing a board likes less than an unpleasant surprise. It needs to be confident that the executives are watchful and have plans for dealing with the unexpected.

Classifying the CEO Report as part of the regular standing items and performance updates that come after the more immediate, non-standard items. If put towards the end, it will probably get squeezed and fail completely to act as the tone-setting "strategic hanger" on which many of the other agenda items should be hung. If your CEO Report deserves to be at the end of the meeting, that means you have the wrong sort of CEO Report.

Allowing performance reporting and updates on internal developments to overshadow what, in most cases, is the main determinant of success. There may not be an obvious slot on the agenda to focus on this fundamental question, so the CEO needs to make sure it comes up in the meeting more than just in passing.

Navel gazing. Yes, the Board wants to know how things stand internally. But change will often be driven from what's happening outside and best-laid plans can be waylaid by "events".

Simply stating a few performance figures and reporting on what's happened since the last meeting (contracts signed, who I've met, where I've been...). Boards need to know about what's happened but they like to spend much of their limited time discussing the future.

Assuming that the Board will join the dots itself as different managers address different topics, development, problems... That is quite difficult to do when various managers express themselves differently and from their own point of view and, possibly, from their own silo.

Letting someone else (the Private Secretary, the Head of Strategy, the CFO... we've come across them all) draft the entire report without any direction. It's fine for the detailed drafting to be done by someone else – but the report needs to express the CEO's own mind, not what someone else guesses it might be.

Allowing the CEO to fall back on a verbal report, possibly supplemented by one page of bullet points... Yes, it takes time to prepare a report to the Board, but if it helps to bring about more strategic discussion then it's an investment from which the CEO, as well as others, will benefit.

Good practices to consider...

Things to avoid...

The CEO sharing the Report – or at least a good part of it – with the executive committee before it is finalised: Is it touching on the right points? Is it presenting a fair picture? The “personal view” bits might be left out at this point – but much of the report will be suitable for sharing.

Thinking in isolation. [Papers](#) will invariably benefit from feedback – on clarity, content, messages... And if the executive committee thinks the Report is touching on the things that are bothering them and on the issues where they need support, it's probably covering the ground well.

Make sure only the right people are in the room so that the CEO can be fully open. Depending on the [culture](#), that will probably mean just the directors.

Restricting the CEO's ability to talk openly by having the full cast present. Fellow executive directors must be there of course, along with the Company Secretary and, possibly, the General Counsel. But apart from that, there's probably nobody else who needs to be present as the CEO gives the board an update. It's unrealistic to expect the CEO to really tell the Board what he's dealing with if there are unnecessary ears in the room.

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If you have any questions on the issues covered here, please contact Richard Sheath at richard.sheath@independentaudit.com

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BOARD REVIEW

