

Indigenous Business Toolkit Project

Conducting Effective Board of Director Meetings

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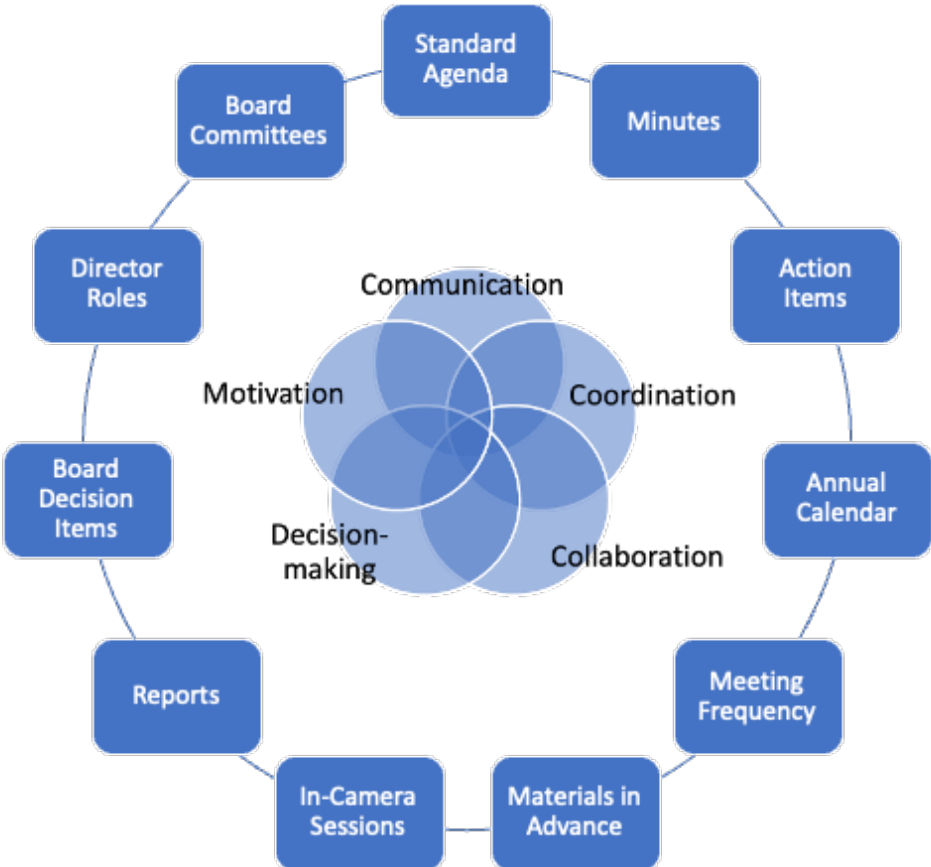
Conducting Effective Board of Director Meetings

Summary

Meetings, meetings, meetings! All organizations have them. Some meetings can be highly productive, while others seem like a waste of time. Love them or hate them, meetings are required in all organizations. They play a vital role in creating and supporting communication, collaboration, coordination, decision-making, and motivation in a company.

High quality meetings lead to higher quality decisions, while ineffective meetings often lead to poor decisions. In addition, while they can be challenging, good meetings are typically more satisfying.

Effective board meetings are as much art as science. The art comes from the skill levels of the people in the meetings and their ability to work together and make good decisions.¹ The science comes with the disciplined process used to conduct them. The purpose of this module is to provide information and guidance on how to conduct effective Board of Director meetings.



Elements for Effective Board of Director Meetings

Why Meetings?

Meetings serve several purposes in a company:

1. **Communication:** Meetings provide a platform for people to share information, updates, and progress on projects. They ensure that everyone is on the same page regarding goals, priorities, and tasks.
2. **Collaboration:** Meetings allow people to exchange ideas, brainstorm new ideas, provide feedback, and work together to find solutions to challenges.
3. **Coordination:** Meetings help coordinate people's efforts by aligning schedules, assigning responsibilities, and establishing timelines. They ensure everyone understands their roles and responsibilities and how their work contributes to the overall objectives.
4. **Decision-making:** Meetings provide a forum for making important decisions that affect the company's direction, strategy, and operations. They allow key stakeholders to discuss options, evaluate alternatives, and reach consensus on the best course of action.
5. **Motivation:** Meetings can serve as a source of motivation and inspiration for people by creating a sense of unity and purpose, recognizing achievements, celebrating successes, and reinforcing company values and goals.

To ensure that meetings are productive and meet the purposes outlined above, it is important that they be well-structured and well-run. The following items provide practical steps for conducting effective board of director meetings.

Standard Meeting Agenda

It is recommended that board meetings follow a standard agenda. A formal agenda ensures that all items are given time for consideration and that important issues are not ignored.

A standard agenda includes several key items:

- opening the meeting
- declaring conflicts of interest
- reviewing and adopting the minutes from the previous meeting
- reviewing and adopting the agenda for the current meeting
- discussing action items
- receiving reports from the CEO on financial and business development matters
- making key decisions using Board Decision Items (BDIs)
- facilitating open discussions
- holding private in-camera sessions if necessary, and
- concluding with adjournment.

Some Indigenous businesses also open and close their meetings with a prayer.

A standard board meeting agenda is provided in the appendix. The specific agenda items and their sequence may vary depending on the company's size, industry, and individual circumstances. The agenda may also be altered to address specific issues or priorities relevant to the company at the time of the meeting.

Board Minutes

The minutes of board meetings provide a crucial record of the board's activities, serve as a sound business practice, and are a requirement for fiduciary and accountability reasons. Auditors require copies of the minutes during audits to understand decisions affecting the financial statements, to ensure legal compliance, and to evaluate the board's oversight of management. This scrutiny assists auditors in assessing risk and tailoring their audit reports.

Action Items

Action items from board meetings are specific tasks or actions assigned to individuals or committees that arise from discussions or decisions made during the meeting. Action items help to ensure accountability, progress, and follow-through on important matters discussed. They help track the status of tasks, clarify responsibilities, and ensure that decisions made during meetings translate into tangible outcomes on a timely basis.

Overall, action items promote efficiency, accountability, and transparency within the organization. They help streamline communication, prevent tasks from falling through the cracks, and facilitate effective decision-making and execution of strategies. A sample action item template is provided in the appendix.

Board Decision Items

The board of directors makes key decisions for the organization based on recommendations provided by management. Since the board typically does not have at hand the information required to make an informed and unbiased decision, this information must be provided in a manner that allows the board to properly consider, debate, and weigh the issues under consideration in a timely fashion.

The tool used to provide the board with the knowledge and information it needs is the board decision item (BDI). BDIs are used to ensure that the information provided to a board is complete and unbiased. BDIs have six elements: Issue; Background and Rationale; Options, Analysis of Options; Recommendation; and Next Actions.²

When BDIs are properly used, they provide the board with neither “too much” nor “too little” information; instead, the information provided is “just right.” Boards are not inundated with information that they don’t have time to digest and understand; at the same time, they are not rubber-stamping decisions or scrambling to find information. In addition, BDIs mean that management must actively defend their recommendations. In short, if a decision is the right

one for a business, it should be able to withstand analysis and scrutiny. BDIs represent a way of structuring this scrutiny.

Annual Meeting Calendar

An annual board meeting calendar is a plan that outlines the dates, times, and agenda items for board meetings throughout the year. A calendar helps organize meetings in advance, ensuring that board members can schedule their time and commitments accordingly. By aligning meeting topics with the company's goals and priorities, the calendar promotes strategic discussions and decision-making. It also fosters accountability among board members by setting clear expectations for participation and oversight. Additionally, the calendar enhances efficiency by streamlining meeting processes and reducing the need for ad hoc discussions. A sample annual meeting calendar is provided in the appendix.

Frequency of Board Meetings

Monthly board meetings offer more frequent opportunities for board members to discuss and address company matters, enabling quicker decision-making and agility in responding to emerging issues. This frequency also allows for more in-depth oversight and involvement in company operations. However, holding monthly meetings can pose challenges in terms of time commitment and preparation for board members, potentially leading to fatigue or distraction from core responsibilities (e.g., frequent meetings can encourage board members to get too deep into operations and thus divert them from their big picture focus). More frequent meetings also impose a greater burden on management since it can take several days to prepare meeting materials. If meetings are too frequent, this time can take away from management's time to effectively operate the business.

Quarterly board meetings provide a balance between regular updates and manageable time commitments for board members. These meetings allow for a more comprehensive review of performance and strategic direction over a longer period, fostering deeper analysis and reflection on company initiatives. Quarterly meetings may also align better with reporting cycles, enabling more accurate financial and operational assessments. However, the longer intervals between meetings may lead to delayed decision-making and less immediate responsiveness to emerging issues or market changes. This delay can be mitigated by management continuing to have communications with board members between meetings where necessary. For example, special meetings can be called to deal with important items such as the purchase of a new business or an urgent PR matter.

Ultimately, the choice regarding board meeting frequency depends on the needs and circumstances of the company, including its industry, size, and complexity. Some companies may benefit from the increased frequency and agility of monthly meetings, while others may find that quarterly meetings strike the right balance between oversight and efficiency. Regular evaluation and adjustment of the meeting schedule can help ensure that the board's and management's time are used effectively and that governance practices remain aligned with the company's strategic goals.

Board Materials Sent in Advance

To ensure effective oversight and insight, board members should receive reports in advance of meetings. This practice allows members to thoroughly review the material and enhances the efficiency of board meetings, shifting focus from passive report receipt to active, insightful discussion. By preparing beforehand, directors can fulfill their duty to provide both insight and foresight, rather than solely focusing on reporting.³ Studies suggest that boards often spend excessive time on reporting, detracting from deeper analysis and future planning. Building a high-functioning board requires teamwork and diverse insights, facilitated by advance preparation and interactive discussion.

In-Camera Sessions

In-camera sessions, conducted without management present, are a valuable practice for boards to address sensitive matters such as CEO performance and legal issues in a confidential way. In-camera sessions enable open dialogue and help prevent conflicts of interest, allowing directors to fulfill their fiduciary duties independently. However, it's crucial to handle these sessions delicately, ensuring transparency and discussing any decisions with management afterwards. To reduce the risk of making management nervous when in-camera sessions are requested, it is suggested that they be held every meeting. Ultimately, the board's duty is to prioritize the organization's best interests above all else.

Chair of the Board

The board chair is often described as the first among equals. In addition to being a board member, the board chair is expected to play a key leadership role both within the board and between the board and management. The board chair plays a pivotal role in representing the interests of shareholders, promoting transparency, ensuring the board operates in accordance with established policies and best practices, and fostering collaboration among board members and senior management.

The effectiveness of the board chair depends on various factors, including the organization's specific needs, the composition of the board, and the chair's individual strengths. In some cases, having a chair who is a subject matter expert can provide valuable insight and leadership in guiding board discussions on complex issues within their area of expertise. In other cases, a chair who excels as a process expert may focus more on facilitating productive board discussions, ensuring that all voices are heard, and guiding the board through decision-making processes in an efficient and inclusive manner.

Ultimately, the best approach may involve a combination of both subject matter expertise and strong process management skills. A chair who can effectively balance these qualities, leveraging their expertise while also facilitating constructive dialogue and decision-making, is likely to contribute significantly to the overall board effectiveness. A sample position description for the board chair is provided in the appendix.

Role of Directors

As the representatives of the shareholders, the board of directors have a fiduciary duty to act in the best interests of the company and its shareholders. Directors often wear multiple hats and have multiple interests. To fulfill their fiduciary duty to a specific company, it is important that directors take off their other hats during board discussions and deliberations and focus their attention on the company in question.

Good boards make good decisions – i.e., decisions that create value for the shareholders. Good decisions are made when board members prepare for and engage actively in board meetings, listen to others' perspectives, advocate for their own, and are receptive to compromise when necessary. Additionally, board members are expected to support decisions made by the board, participate in strategic planning and mission review, and help monitor the organization's performance and adherence to its values and policies.

Board members are required to comply with organizational by-laws, codes of conduct, and conflict of interest policies. They play a role in approving the annual budget, overseeing financial performance, establishing operational policies, and participating in CEO evaluations and hiring processes. Additionally, they contribute to board committees, engage in self-evaluations, attend the Annual General Meeting, and act as ambassadors for the organization within their personal and professional networks.

A sample position description for a board member is provided in the appendix.

Board Committees

Boards of directors often set up board committees to assist in the board's work. The most common board committees include:

1. **Finance Committee:** Reviews financial strategies, investment policies, capital allocation decisions, and funding options. This committee may also provide oversight of treasury functions, capital expenditures, mergers and acquisitions, and capital structure optimization. This committee oversees financial reporting, internal controls, and compliance with accounting standards and regulations. It typically reviews financial statements, audits, and reports from external auditors, and ensures the integrity of financial information.
1. **Governance/Nominating Committee:** Responsible for board composition, governance policies, and director nomination processes. This committee identifies and nominates qualified candidates for board positions, reviews corporate governance practices, and assesses board performance.
2. **Human Resources (HR) Committee:** Focuses on human capital management, including talent recruitment, development, retention, and succession planning. This committee may also address employee relations, diversity and inclusion initiatives, and

organizational culture. This committee designs executive compensation packages, including salaries, bonuses, stock options, and other incentives. It evaluates executive performance, ensures alignment with corporate goals and shareholder interests, and monitors compensation-related risks.

Organizations may establish additional committees or combine responsibilities based on their specific needs, industry, size, and complexity. Additionally, the composition and structure of board committees may vary depending on regulatory requirements and best practices.

Activities like strategic planning and enterprise risk management are normally left as a full board responsibility.

Best Practices for Board Committees

Effective board committees can play a crucial role in enhancing organizational governance. To ensure their success, it's essential to establish clearly defined roles and responsibilities for each committee, aligning them with the company's strategic objectives. Committee composition should emphasize expertise, experience, independence, and diversity in perspectives. Regular meetings, scheduled based on workload and urgency, facilitate informed decision-making.

Agendas should be developed in advance, incorporating input from various stakeholders. Committee members should prepare for meetings by thoroughly reviewing materials beforehand. Transparency is maintained through accurate record-keeping and prompt dissemination of meeting minutes. Open communication among committee members, the board, management, and stakeholders is important. Risk management, evaluation, compliance with laws and ethical standards, and a commitment to continuous improvement are fundamental principles guiding effective committee operations.

Unique Aspects to Indigenous Boards of Directors

Most of the techniques and methods for running effective board meetings function in both Indigenous and non-Indigenous environments. However, while the methods may be similar, it is important to understand the similarities and differences between Indigenous and non-Indigenous businesses and boards of directors. This topic is dealt with the module on the similarities and differences between Indigenous and non-Indigenous business.⁴

Conclusion

Meetings are necessary for organizations to operate. However, meetings need to be run effectively so that good decisions are made. Effective board meetings operate with structure and discipline.

Resources

Bachiu, V., M. Fulton, and K. Jackson. 2024a. Indigenous and Non-Indigenous Businesses: Similarities and Differences. Indigenous Business Toolkit Project. Johnson Shoyama Graduate

School of Public Policy, University of Saskatchewan.

<https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

Bachiu, V., M. Fulton, and K. Jackson. 2024b. Role of the Board of Directors. Indigenous Business Toolkit Project. Johnson Shoyama Graduate School of Public Policy, University of Saskatchewan. <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

Bachiu, V., M. Fulton, and K. Jackson. 2024c. Board Decision Items. Indigenous Business Toolkit Project. Johnson Shoyama Graduate School of Public Policy, University of Saskatchewan. <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

Notes

¹ Bachiu, Fulton, and Jackson (2024b) outline the role of the board of directors and provide a model of how boards make good decisions.

² Bachiu, Fulton, and Jackson (2024c) provide details on each of these six elements, as well as more information on the use of BDIs.

³ For a discussion of foresight and insight, see Bachiu, Fulton, and Jackson (2024b).

⁴ See Bachiu, Fulton, and Jackson (2024a).

Indigenous Business Toolkit Project

The Indigenous Business Toolkit Project is designed to provide Indigenous communities and individuals with the practical tools they and their advisors can use to undertake successful economic development. Indigenous economic development is more successful when everyone – community members, community leaders, consultants, business professionals, employees, and/or potential partners – understands its many aspects.

The Toolkit provides step-by-step instructions on selected aspects of economic development based on the best practices of leaders in the field. The modules in the Toolkit cover everything from the role of economic development in nation building, to the importance of business charters, to the various legal forms that can be used to pursue economic development, to the steps needed to identify and negotiate beneficial partnerships, to the governance challenges that economic development must address.

The modules are available for free and for use by anyone. The full set of Toolkit modules can be found at: <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

The Indigenous Business Toolkit Project is part of the larger Indigenous Leadership: Governance and Development project designed to support long-term Indigenous economic development. In addition to the toolkit, the larger project involves capturing the economic development experience of Saskatchewan Indigenous communities through a series of case studies. The case studies, along with a description of the larger project, can be found at the website listed above.

Disclaimer

The information contained in this document is designed to provide an overview of a particular topic and should not replace legal and other expert advice. Groups wishing to use the concepts discussed should receive the appropriate professional advice necessary to ensure their specific goals and circumstances are considered and recognized.

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