BOARD MEETINGS **THAT WORK**

Stop the dread, get real value, and build a better business through your quarterly meetings.

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HERE'S SOMETHING INVESTORS AND MANAGEMENT CAN AGREE ON – **BOARD MEETINGS ARE MOSTLY CRINGE-WORTHY**

They're long and meandering. Critical conversations degenerate into tactical debate. Roles and responsibilities fail to be made clear. Without direction and leadership, the loudest pontificators are successful in monopolizing the time. Often, there's no rhyme or reason to who even makes the attendee roster.

Over a portfolio company's life, management has maybe 20 board meetings. An ineffective meeting is a real gut punch when you consider the opportunity cost of the company's lack of clear direction for the 90 days following the meeting until the next quarter. Some quick math for fun – there are about 13 weeks between quarterly board meetings. At just 40 hours of work per week, that is 520 working hours. Spread that across just 100 employees and that turns into 52,000 hours – some of which is not optimized if a board and management team are not aligned in the same direction and empowering the employees to execute at their best! Getting the board meeting right has a trickle-down effect that matters.

Conducting an effective board meeting does not just happen. But there is a formula that can help. And when they do work, they are remarkably useful events that drive progress.

The formula is actually simple:

A great meeting is the byproduct of a well-prepared, right-sized group guided by a clear agenda and undeviating leader.

In this piece, we walk through the essentials. By the end – whether you manage a company and run meetings or sit on boards and coach leaders – you'll learn principles to make your next board meeting your most productive to-date.

YOUR ROADMAP TO A GREAT BOARD MEETING

The board's fundamental purpose is to allocate resources, assess talent, set strategy, suggest tactics, provide insight in addressing challenges facing the business and to provide effective, compliant governance. Everything from the board makeup, to dinner socials, and the meeting topics and materials must be designed to fulfill this purpose. As you build a vision for upgrading your meeting experience, consider our recommendations in each of the following areas:

- Attendees
- Role types
- Pre-meeting socials
- Meeting and materials

Let's explore.

ATTENDEES

A case can be made for every combination of attendees. The executive leadership team (the "ELT") and directors. Just the CEO and directors. A mix of ELT, mid-level managers and directors. But the reality is, a broad attendee list invites more problems than benefits. In general, the more people in the meeting, the less opportunity for direct, uninhibited dialogue. Widely attended meetings also suffer from the distractive nuisance of people going in and out or chomping their lunch on the conference line. Sales leadership leaves when the finance team enters. Product's session goes long, so the marketing team crowds outside the conference room waiting its turn. Even mild interruptions hurt meeting flow. As well, the more junior an audience is, the greater the likelihood of deviating from the strategic to the tactical. We call it the "curse of knowledge." Because business line leaders eat, sleep and breathe a specific area, they struggle to stay out of the weeds in conversation – there is no shame in that, the board meeting is just not the forum for those conversations.

IN GENERAL, THE MORE PEOPLE IN THE MEETING, THE LESS OPPORTUNITY FOR DIRECT, UNINHIBITED DIALOGUE.

Successful meetings require the right strategic altitude, plus honesty and candid conversation. This is why we think a combination of directors and two to four C-level leaders (likely, CEO and CFO) is ideal. Of course, certain 'focus areas' may be prioritized and rotated on a quarterly basis (more on this later). In this case, there could be windows where leaders from a particular business or functional unit get involved. However, this should be the exception. And, of course, every board meeting should have an Executive Session that includes directors and the CEO but not the management team.

Related to board attendance is makeup, and each board meeting should include members with outside perspective. Over-assigning PE owner members and management to the board impacts discussion quality. Owners should be cognizant to maintain board control, while inviting the perspective of industry or functional leadership, but from outside directors in independent seats.

When considering board attendance, also realize that every invitation (or non-invitation) gets scrutinized. These are sensitive meetings and optics matter within a company. Now, if senior leaders start muttering about the fresh-out-of-business-school deal team associate who automatically has an invite, they may just need to grow up. But, if members of management have been involved in the past, or, they see their peers involved in a particular meeting that they aren't invited to, drama can bubble up. The CEO needs to own a communication plan that level-sets why and how certain people are involved. Transparency is key – just be honest about who and why.

ROLE TYPES

With respect to board makeup, we often get questions on outside directors. The main reason is people's experience is they are either great, or horrible.

But the outside director role is an under-appreciated leadership asset. Maximize it by focusing on someone who fits one of these molds:

- **The Functional Expert:** This individual has specific, functional expertise that overlaps a company priority. Whether it's product management or international channel sales, they should be able to offer critical insights to unlock opportunities in an already-identified strategic area. This individual may cycle out after a period of usefulness.
- **The Been-There-Done-That Mentor:** This individual can act as an advisor and confidant of the CEO. They become a general sounding board on CEO-type issues; from managing board meetings to personnel decision making.
- **The Industry Vet:** This individual has broad industry expertise. They can make introductions, offer perspective, and connect-the-dots on sweeping industry issues within say Aerospace or the Internet of Things.

By nature, outside directors are 'outside.' The challenge with this is when their participation or preparation doesn't match others. CEO or owners need to set expectations with this group. In our case, we do a fair bit of "board member training" where we outline issues like in-meeting conduct or committee participation expectations. In most cases, board members get paid well. Raise the bar on what you expect from them. The best ones will deliver. The apathetic ones can roll off.

PRE-MEETING SOCIALS

Let's get to the point: having pre-meeting dinner or drinks that are only social is a waste of time. A board dinner is useful when it does one of two things:

- It brings together a larger group of management so directors can intentionally connect with attendees on pre-planned topics signaled by the CEO.
- It lets the board discuss a topic that is important, but extensive, and one that would eat hours from the actual board meeting.

Under the first premise, the CEO will message to board members about key individuals and issues to address. He or she can arrange seating so that intentional conversation happens. In many cases, this is the board's only interaction with less-senior management – and helps build context for future personnel decisions. It may also help a manger get comfortable with the board prior to having their role in future meetings expand.

For the second, the CEO can bring in an outsider to facilitate conversation or simply lead more in-depth dialogue on an issue that will otherwise consume the board meeting. An acquisition or change of product or service direction are candidates for this. The key for both is to be *deliberate*.

MEETING AND MATERIALS

Board presentation principles

Every meeting is guided by your board book. Think of it as your meeting's trail map. The CEO is the trail guide. To move to a satisfactory end, the board book and CEO must work in tandem. Maps may feature a variety of detail and landmarks – all interesting, but not all essential. The CEO must understand what matters now and escalate and emphasize these to keep discussions on track.

Insecurity, a lack of preparation, inexperience, or a mismanaged business are all responsible for weak board books. Don't let these be excuses. **Your board book is simply a synthesized review of what has happened, what is happening, what will happen and why it matters.** There shouldn't be a hair-on-fire push just days before the meeting to get this out. The goal is crisp delivery of essential metrics, functional summaries, thoughtful perspective on the core business, and an assessment of progress – *things you're already in tune with*. Board packages and associated appendices may be chocked full of data; that's not bad, but it's not for the four-hour meeting either. In the meeting, details presented are fair game for discussion unless board members are guided otherwise.

Get the board package out in advance, have pre-calls to address nuanced concerns, and then move through the strategic objectives outlined in your agenda and supported by your board book. Don't move line by line. Some of this may just be for pre-reading or context. Have a clear point or purpose for each slide. What are we doing and why? What perspective do you need from the board? If obscure questions come up, remind the member where to reference answers and keep moving.

CEOs need to own a productive meeting experience. And to do this effectively, consider our systematic approach to structuring the meeting and board material:

1. **Start with the CEO review.** This is *always* the opening. It's quick, but sets a course for the day. In it, a leader can share things like: what's new and exciting, what's worrisome, where is progress being made and where is the company stuck. The leader should remain focused on what the company is trying to build over the next 5-7 years and address issues, events or opportunities that impact this. Remember though, *this isn't a board meeting in a vacuum*. Bridge what was raised in the last meeting and calibrate to today. Because the leader has pre-planned the day, he or she can confidently interject if board members dive too deep, too quickly. Let them know there will be time later for detail and debate.

2. **Front load the financials.** It's expected that the company has provided an in-depth monthly financial package. It's also expected that board members have already raised questions pre-meeting to the CEO and CFO. If not, this is the first coaching point. After that, the onus is on board member to review and digest financial detail prior to the meeting. This makes the financial section of the board book – and this part of the meeting – a KPI and key trend review instead of a cell-by-cell inquiry. Emphasize the takeaways with respect to company targets and priorities: top line, gross margins, abnormal trends in operating expense and EBITDA, are examples. Don't give a guided spreadsheet tour. Share, ask for questions, move on.

   Any big, financial issues that need addressing (like a surprise bank covenant, for example) are taken care of prior to the meeting. These get worked through with management, the owner's partners, associates, and third parties. The only way these resurface during the board meeting is to reflect on mitigants against future incidents.

3. **Product or operations updates.** The CTO or COO can now take the lead and share about progress in product management or development. The point here is that this section, like the financial review, is about calibration. The story must connect with the company's strategic outcomes and pre-defined, regularly-used KPIs for how the business is managed. It should be consistent with past reporting (e.g., define health or success and trends the same way). Updates on progress or resolution of key issues that management was previously grappling with should also be shared. This *isn't* the time to unpack features on the product roadmap or explain to a director why a button on the app is blue.

4. **Sales and marketing performance review.** We don't call this an update, because it is an *actual review*. An "update" connotes a slide with five bullet points pasted next to the top three customer logos. This isn't that. Here the CEO, CRO or Head of Sales must pick up where the last meeting left off and share the story of progress – good or bad. Honesty and transparency matter. Directors can sniff BS, or worse, spin, from a mile away. Sales leaders (and even some CEOs) need to hear this: *these meetings aren't about judgement*. We want to understand what is working and what isn't, and success benefits us all. But we need more than numbers; we need to understand process, we need to know how you arrived at your numbers, and we need to understand what you're measuring and monitoring and why it matters.

   Writing this narrative demands a sales process and is a forcing function for building a systematic, organized sales organization. Of course, evaluating sales is hard. And it may take a few cycles with the management team and board to define a process that is replicable and trackable. In this, leaders will work to get beyond point-in-time data that doesn't tell the story of sales health.

   A key differentiation in types of metrics. **Results do get reported, but spend the time discussing activities.** Results are what happened, they provide measurement and context via trends. Activities are what we can control – leading to results but this is where the action is. A few other rapid fire suggestions:

CONSISTENCY MEETING TO MEETING	QUALITY OVER QUANTITY
DASHBOARDS, NOT DETAILED REPORTS	MAKE IT ACTIONABLE

These should not be tracked *just* for the board. Any metric that isn't a day-to-day management metric is useless come meeting time.

We have provided some sample concepts to cover on the following pages.

Sales and Marketing Metrics Examples

OVERALL

- Pipeline waterfall (illustrative example on following page)
- Annual recurring revenue waterfall (illustrative example on the following page)
- Top 5 accounts won and why
- Top 5 existing and new sales opportunity accounts lost and why

ACTIVITIES

SALES

- Org chart
- # of reps and activities (sales calls, demos)
- Account plans created
- Assigned accounts per rep
- Sales plays
- Target customer journeys

MARKETING

- Org chart
- Channel listings and MQL per channel
- Investment per channel
- Sales enablement metrics

RESULTS

SALES

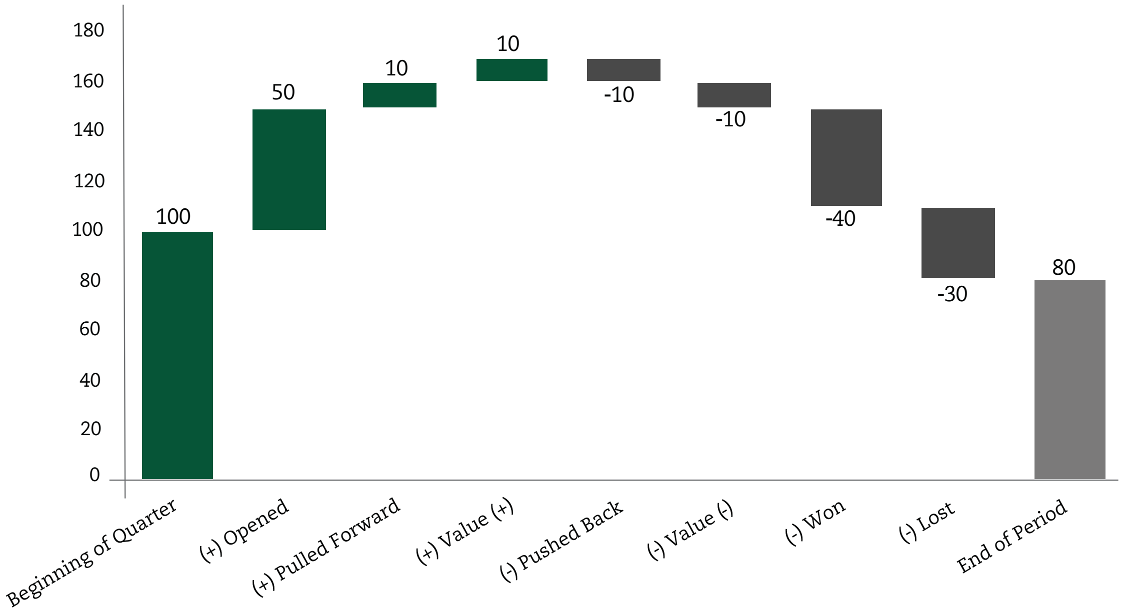
- # new logos
- Bookings (ACV/TCV)
- ASP new logos
- Retention % (logos / dollars)
- Quota performance by rep
- Forecasting accuracy

MARKETING

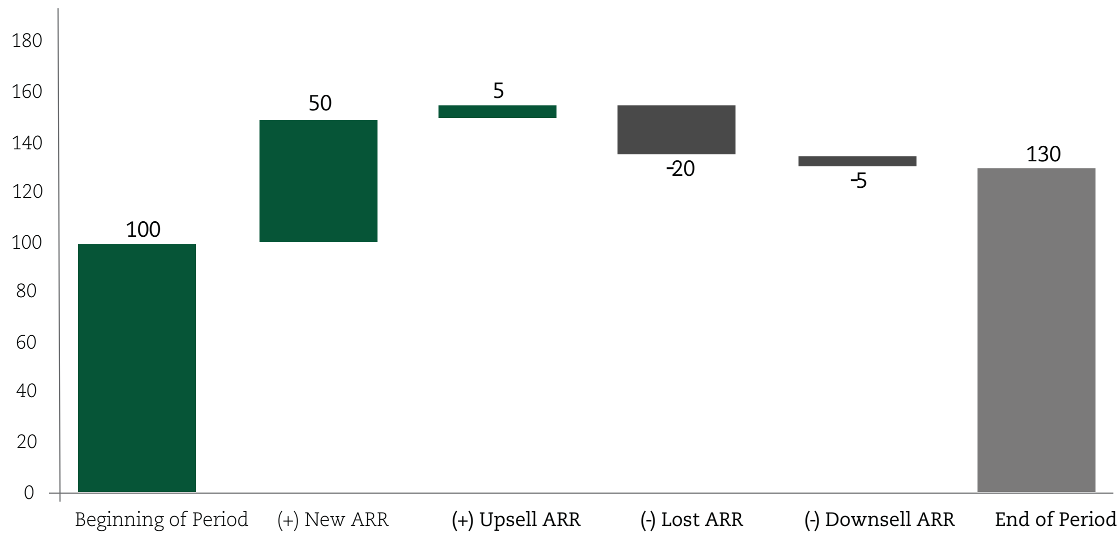
- MQL (# / $)
- MQL -> SQL conversions (# / $)
- Pipeline composition (# / $)
- Sales cycle and conversion rates

Illustrative Waterfalls

PIPELINE



ANNUAL RECURRING REVENUE



5. **Strategic review.** In this 60 to 90 minute session CEOs go deep on a rotating topic. While every meeting will have a dedicated strategic review, what gets reviewed may cycle each quarter. Planning this session requires both agility and foresight. Below are examples of three dynamic topics that may come up and are worth discussing. For each, we give examples of how the conversations could be framed. If no hot-topic issues have surfaced over the quarter, focus on the other, always-relevant topics.

   First, here are three examples of issues warranting extended time:

   - **M&A:** Stay in sync on deal discussions. Use the time to reinforce to outside directors the rationale behind proposed deal making. Offer insight into who the team is looking at, why, and what stage discussions are in. Review the M&A pipeline, assess stages, and handle any specific deal work (like LOI negotiation) where it's handy to have the board convened.
   - **Competitive or Market Changes:** Discuss new, competitive threats and the likely impact on products or services. You may also assess implications of previously identified threats. As well, consider new regulations, macro and other environmental changes that may soften the business. Consider how to react in areas like marketing, PR, personnel, product development, or financial planning.
   - **Budget Review:** Depending on financial performance, sales progress, and other indicators, budget-related adjustments may be required. This is the time to address this. Now, the budget is the budget, so there's no going back on that. But course correcting is a management reality, and this is the time to consider what re-forecasting and planning may be required based on year-to-date progress. From there, operate the business against the new information. In subsequent quarters, don't just send out new forecasts and financial information without measuring if the changes were on target.

   Outside of anomaly issues like the above, the below topics are critical to thoroughly cover at some point during the year:

   - **Talent / Organization Review**
     - With the budget in place, what does the team and organization need to look like to achieve the goals? How are we going to execute upon the hiring and development plans?
   - **Product and Competitive Landscape**
     - What are the short-term (rest of the year) and long-term priorities and goals for product development?
     - What is evolving in the marketplace from a competitive standpoint?

- **Strategic and Financial Review**
  - Halfway through the year, use the opportunity to revisit the strategic objectives and progress.
  - Do financial objectives need to be revisited or recalibrated?
  - Iterate on a 3-5 year plan. This is less granular than the budget, but an opportunity to develop a view of what the business looks like in a few years.
- **Go-To-Market (sales, customer success or marketing)**
  - Ahead of the budget process, do a dive deep into the commercial side of the business.

6. **Executive Session.** Time to clear the room, or the conference line. This should be a closed session of board members only (the CEO or CFO may join for a portion of the time, subject-permitting). In this period, the discussion will cover: compensation, team performance, sensitive financial issues and always, a "how are we really feeling about this?" conversational pulse check. The goal of the session is unfiltered feedback. Raises and promotions may be discussed, as could demotions or terminations. Cultural issues or management riffs that the board senses need to be worked through. Back-channeled feedback with company health implications need to be shared. Basically, those sensitive but mission critical issues that the whole world doesn't need to know about, should get worked through. The board can then wrap up with standard compliance and governance must-dos like approving minutes or option grants and raises.

As you prepare your next meeting, we'll close with this – **a rapid fire takeaway list from ParkerGale Partners Devin Mathews and Kristina Heinze.** These two have sat through, and led, hundreds of meetings over dozens of years and boil their experiences into six key ideas -

> *"CEOs need to manage the board. Call them before, call them after. Make asks, give feedback, get feedback. Boards aren't operating bodies. They are there to help you and the company. Make the most of them."*
>
> *"Don't waste the whole meeting on financials."*
>
> *"Have everything written and documented. A culture of governance and compliance may save you in sticky situations."*

“CEOs and CFOs get in sync. Know what you want to share and anticipate what is being asked. Have a unified, prepared front.”

“Always be honest and transparent. We can’t make the right changes unless the whole story is on the table.”

“Spend 90% of your time on sales and strategy. Be thorough with your board book or pre-read materials, do brief “pre calls” with members and be ruthless with time wasters. Stay focused on what really matters.”

Good board meetings don’t happen, they’re designed. They begin with consistent data gathering and thoughtful material development. They’re enriched with bought-in leaders who know their roles. They’re enhanced with well-engineered social gatherings and agendas. And they’re ultimately *made* with execution of pre-defined meeting outcomes and deliberate discussion.

ABOUT PARKERGALE

ParkerGale

ParkerGale Capital is a small private equity fund based in Chicago that buys profitable, founder-owned technology companies and corporate carve-outs where the firm’s operating resources can have a meaningful impact on the outcome. ParkerGale also hosts the private equity industry’s only podcast, the PEFunCast on iTunes and Google Play. For more information, please visit www.parkergale.com