

## MEASURING WHAT MATTERS

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The most highly functioning boards have established rigorous and targeted reporting that is not burdensome for management to prepare or for directors to read and comment upon. Executives measure, assess, and report on what matters most. Directors are expected to review and be prepared to offer insights, ask questions, challenge assumptions, and make suggestions. Typically, the executive committee develop their own reporting to update directors on the outcomes of their discussions, such as director engagement, director recruitment, etc. Here are some of the more important items to measure.

### IMPLEMENTATION OF STRATEGIC PLAN

Keeping an eye on the implementation of the strategic plan ensures that appropriate actions are executed and allows for nimble adjustments when necessary. Ideally, the executive team will provide an update on progress against the strategic plan at least once per year. Directors can then be more involved regarding progress (or lack thereof) and offer suggestions or necessary changes to implementation or revisit the strategic plan.

### FINANCIAL REPORTING

The Finance and Audit committee plays an important role in financial reporting. The committee reviews management reporting (from CFO, CEO, ED, etc.) in advance of the overall board. The committee may engage with external auditors and typically reviews the annual budget

in advance of seeking board approval. Reporting should include:

- Forecasts against budget and explanation for variances of +/- 10% to plan
- Potential losses
- Status of any capital investments

### RISKS

Depending on the size of the organization, the Audit and Risk committee will often work with the executive to review areas of risk. The committee and executive can then report jointly to directors on areas such as cyber security risk, status of large technology projects, or reputational risk. The audit committee will also review and can assist with action plans to address marginal or failing audit results.

### PEOPLE

A Human Resources committee, Compensation committee, or a combination of the two, is integral. The committee sets executive compensation, performance measures and targets for the CEO and can advise on all Human Resources matters. This can include health and safety, employee engagement, terminations, EDIA items, succession planning, etc. As the board always has responsibility for CEO or ED succession, it is

advisable for the HR committee to lead all activity in this area. Reporting often includes:

- Budget for annual compensation program (salary increases, bonuses, cost of living adjustments, equity adjustments, etc.)
- Employee engagement survey results
- Cultural surveys
- Aggregate exit interview data
- Turnover
- Executive succession and development

## **CUSTOMER DATA AND TRENDS**

Some executive teams provide customer data, particularly trending information such as profitability, customer retention, sales, market competition, etc. This may not be required on a regular basis, but situationally, such as following an acquisition, new product launch, etc.

As a director, if you request new or additional reporting, consider if it is necessary for you to fulfill your role, or is it simply interesting. If additional reporting is created, consider what reporting can be discontinued and/or if interim reporting will be sufficient. Remember that additional management reporting will require additional manhours from the organization.

Sometimes a special committee or the Finance and Audit committee will lead a review of reporting and provide recommendations to directors and management to streamline or augment reporting practices. The goal is to measure what matters most, not to measure everything. Remember to be selective and circumspect with reporting.

# Helping Define Your Company's Future Success



We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about The Board Mindset, visit [www.theboardmindset.com](http://www.theboardmindset.com) or [contact us](#).