

## Article # 10

### Information to share with new board members

The more you share information with your board the greater value you will receive from your board. Board members are in a strong position to provide valuable advice and direction when confidential company information is shared regularly, openly and willingly.

Major categories of information an owner might consider sharing would include the following categories:

- Historical background, origin, milestones
- Ownership status
- Three to five years of historical financial data
- Strategic Plan, latest version
- Current year financial budget, results to date and outlook
- Employee and Policy manuals
- Organization chart of management team
- Information Technology system overview
- Outside auditors and legal counsel

### Historical background, origin and milestones

Providing new board members with a perspective on the company from its founding roots through its growth and current status helps ground board members concerning the company history. This background information will also provide board members with an understanding of how and why the company has evolved.

### Ownership status

Private or closely held companies are often organized either around multiple family members or unrelated owners. These circumstances are important for new board members to understand. Issues around matching the skill sets and experience of the owners with the management positions they hold are critical to future of the company and an area wherein board members can provide valuable insight and advice.

### Three to five years of historical financial data

Opening the financial records of the company to new board members has a number of advantages. First, it provides objective data on the results of the company including key financial ratios and business trends. Second, it creates a picture of the ability of the company to consistently improve its performance. And, third, it adds understanding to the current status of the company.

### Strategic Plan, latest version

Experience indicates that companies with living strategic plans out-perform companies that ignore strategic planning. Board members should, at a minimum, be provided a basic and up to date strategic plan. The benefit of the discipline that develops from the process of strategic planning, leads to improved communication. It facilitates effective decision-making, better selection of tactical options and leads to a higher probability of achieving the owners' goals and objectives. The Strategic Plan provides your board with a road map for the company's expectations.

### Current year financial budget, results to date and outlook

Your board can provide the best advice only when they know and understand the current status of the company results. You can add value to this information by providing, in addition to the financial statements, the highlights of the key results and plans that address variances. Creating charts or trends for key financial measures can help further highlight and facilitate understanding for your board.

### Employee and Policy manuals

Manuals defining employee benefits and operating policies of the company help not only to inform the board but also connect these important communication tools to the board's understanding of the alignment of benefits and policies to the company's goals and objectives.

### Organization chart of the management team

Provide your board with the company organization charts as well as the resume or biography of each of the key managers of the company. This background information will help the process of introducing the key managers to your board. A vital role of the board is mentoring, evaluating and defining succession for senior managers. Having key managers occasionally present to the board further facilitates the value of the board in this function.

### Information Technology system overview

Communicate to your board in a way that defines the company's information technology systems as tools for operating and reporting on the business. This will help the board to both evaluate the systems as well as to utilize the systems to help in their governance of the company.

## Outside auditors and legal counsel

Establishing open communication between your board and your auditors and legal counsel will help the board perform their governance function in a way to maximize their value to your company. It will also provide you, as the owner, an objective evaluation of these outside services to the company.

You may have other categories of important information you wish to share with your board. If you err on one side, make it, on the side of over-communication.

When a new board member is brought into the company, provide a packet of information that highlights the categories listed above.

In addition, consider an informal orientation day for new board members that includes meetings with the owner as well as separately with key managers.

Keep your full board regularly up to date by sending current financial reports between scheduled meetings. Consider regular informal phone or e-mail communication and on occasion meet individually with board members over coffee or a meal.

An informed board facilitates quality formal meetings and maximizes the value to the company.

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