

Take on Board Podcast – Episode 272

Transcript – Roles and responsibilities mini-series – Julie Garland McLellan on gripping board reports and how to get a page turner



Helga Svendsen 0:00

Today on the Take on Board podcast, I'm speaking with Julie Garland McLellan about what makes a good board report and how to get them.

Helga Svendsen 0:08

Before we start the podcast today, I'd like to acknowledge the traditional custodians of the land on which we record. For me, I'm on the unceded lands of the Wurundjeri people of the Kulin nation, and I pay my respects to elders past and present. I also acknowledge any First Nations, people who may be listening today. I acknowledge their continuing connection to land, waters, skies, culture and country. I support voice, treaty and truth for Aboriginal and Torres, Strait Islander peoples, and I encourage others in the Take on Board community to do the same.

Helga Svendsen 0:40

Now, let me tell you about Julie. Julie is on the boards of Dam Safety New South Wales, Lupitz, which is a tech startup, and the New South Wales Correctional Services, Industries community Consultative Committee. Julie is a boardroom specialist as a company director she has experience on a range of boards within the not for profit governments and commercial sectors. Her previous boards are just too long to mention here. You'll need to look her up elsewhere, but she may be familiar to many of you as the author of The Director's Dilemma newsletter, which is read by directors all across the globe. Julie has a degree in civil engineering, an executive MBA, a Graduate Diploma in Applied Finance and Investment and a Diploma of Company Directorship and an Advanced Diploma in Company Directorship. Oh my gosh, she's done a lot. She's authored a range of books. And I'm so pleased to have you on the podcast today, Julie, to have a chat about board reports. So welcome to the Take on Board podcast.

Julie Garland McLellan 1:41

Thank you, Helga, and it's a pleasure to be here.

Helga Svendsen 1:44

Thank you, so folks. This is the second deep dive series about roles and responsibilities of board directors and getting good board reports. Reading good board reports, finding good board reports, is a key part of it. So when I saw Julie had a program about this. I approached her and said, Please come on the podcast and talk about it, which is how today came about. But Julie, before we dive into that, I'm very much looking forward to the wisdom. But before we dive into that, I want to dig a little bit deeper about you. Can you tell us a story about young Julie that tells us a bit about how you got to where you are today?

Julie Garland McLellan 2:21

Quite interesting. I think that my father was initially in the Royal Engineers in the British Army, and then moved into the construction industry and then into the mining industry. So normal for me was moving around a lot, constantly starting new schools, being dropped into new cultures, learning to build relationships and be effective. I'm quite competitive, so learning very quickly which way is up in this environment. And I really think that that as a background, when you look at the peripatetic lives of company directors. You join a group, and you're jointly and severally liable, united, you stand, divided, you fall, and yet you're expected to be independent and your own person, and that board seat is not supposed to last forever. There is a length of time when you've made your contribution, and now the best thing you can do is move on, so that your board gets a different contribution. So I think my international upbringing and my learning to look at things from different angles probably really helped me to be effective on boards, even though, at the time, I didn't think about that.

Helga Svendsen 3:48

Yes, it's interesting, isn't it? I love that reflection, and it makes perfect sense, because I do hear that a little bit from people that that moving around, living in different cultures, maketh the good board director down the track that is so interesting. So just out of interest, you've moved around a lot. How many houses have you lived in? Do you know?

Julie Garland McLellan 4:08

Whoa, I wouldn't know. I am well into the high double digits in school. Well, high double digits, well over 10 in schools. So lots of houses, yes, and a lot of schools, because when my mother would go back to England to visit her family, I would get put into the local school of whichever aunt or grandparent we were staying with, because my mother wanted to be free to run around. And school

was a good thing, and I needed to learn to be vaguely English. So it was very, very interesting. I had a lot of a lot of schools, a lot of houses, unfortunately, not a lot of pets, because they just didn't go with the lifestyle. So now that I've been Australian and happily Australian for 30 years, my dogs the centre of the household.

Speaker 1 5:02

Oh, okay, so two things to pick up on there. I like how, you know, had to learn how to be vaguely English, because I can hear just in the background. They're a little bit of a vaguely English accent. Secondly, and more importantly, of course, the dogs, what are they? What are their names? Tell us a little bit about them as well.

Julie Garland McLellan 5:20

Ah, well, first Australian dog was Rufus, a Border Collie, Kelpie cross, who kept me very fit and helped me get into shape so that I could run the six foot track, which, for those of you that aren't anywhere near Sydney, is a long marathon cross country with lots of hills, so beautiful. I love trail running and bush running, but I did all my training with Rufus. Second dog was Rupert. I didn't choose the name. In fact, I didn't choose Rufus his name either. He came with it. It was a silly name for a black dog, but never mind, because Rufus means red haired. But Rupert was a rescued Greyhound, or, as my husband used to put it, a recycled greyhound. And he was delightful, but he'd done his running. Thank you very much. He really wanted to go for coffee and lie down and have people tell him how beautiful he was, which he was. And sadly, he passed away with cancer. And now we have a mongrel who's possibly a rottweiler cross, possibly crossed with a hippopotamus or an elephant or something like that. He's huge, but he we love him. He's absolutely gorgeous, very naughty, and he's the first time in my life that I've ever had a dog, right from being a little puppy.

Speaker 1 6:42

Oh, beautiful. What's his name? Because we've had Rufus and Rupert. What's the latest one?

Julie Garland McLellan 6:47

Archer?

Helga Svendsen 6:48

Oh, how beautiful. Oh, thank you. As I say, we love digging in. We have Mungo, the cat, who may or may not make an appearance today on the podcast. We'll see how we go. Okay, so Julie, board

reports, they are so important to get, to get in time to get right. Let's dive into them. Where should we start with good board reports?

Julie Garland McLellan 7:16

I think the first place to start is the fact that as a director, you are so reliant on management for most of the information, even when you do your own independent research into the issues that you're deciding on, you normally start from some information that management has given you. So if that information misses the mark, you are so much at risk of making a sub optimal decision, and that I think the vital importance of getting those papers right first time, every time. And I also think every individual director has a duty to safeguard and uphold the quality of the papers and to provide that feedback when the papers are missing the mark.

Julie Garland McLellan 8:11

So you read some of the terrible stories. I got up this morning, and there was a lovely story in the press about how the ASX board had misled its own market on how its software technology upgrades were going. I'm sure that board were highly ethical, had no intention of being misleading, but somehow they got information that they then passed on to others, which has now landed them in trouble.

Julie Garland McLellan 8:47

You look at the Bank of Queensland and Westpac, and some of the other banks that have had huge problems with the money laundering, or the potential money laundering and the breaches of that legislation, and it's eye watering, you know, 54,000 breaches and and you think, how on earth and the chair of the Bank of Queensland came out and said, Ah, maybe our board reports were overly positive. Yes, maybe they were. But did it not occur to you to drill down? Did it not occur to you to ask management, what are you really worried about that you're not sharing with us? Or what's the most important thing here?

Julie Garland McLellan 9:32

So I think that duty of directors, and particularly in the government sector, where you have board reports that serve multiple purposes, getting what you need as a board, even though you're using information that's being recycled, perhaps or being prepared and it will be a cabinet brief next or it's actually going to form the basis of a submission to Something, so get it fit for purpose, and get it up to standard, and don't think that you're doing the company a favour by saving money and not investing in your reporting, because it's like doing your house a favour by not building a foundation.

Helga Svendsen 10:19

Oh, I love it. I love how you framed it around the director's duty. It's our duty as directors to get board reports, and yes, obviously you're working with management to provide those reports, but it is our duty. So if they're not getting it right, we can't just go, oh, management got it wrong. It's our duty. We hold it.

Julie Garland McLellan 10:36

It is. And if you're not happy, it's your job to say, I'm not happy, and this is what needs to happen to make me happy. Don't just say I'm not happy. And then the next three years time, you do another externally facilitated board review, and oh, we're still not happy. And in three years time, you do another review. And I talk a lot to people who do board reviews, because I do them myself, and a little note for the boards out there, we compare notes on what are the current topics? What's every board papers? The reason I started developing this area of expertise that's now probably my key area is because it just came up every time, all the time, and all of the others agreed, yes, that's always an issue. I still find boards who say, Oh yes, it's an issue. But it wouldn't be appropriate for us to spend money on training management because, oh, you know, the government budgets are tight. No, it would be highly appropriate, because you would save money, one by reducing the amount of wasted time and effort, and two, by making better decisions.

Helga Svendsen 11:51

Yes, it's an investment, and not everybody, by osmosis, knows how to write a good board report, just because you are thrust into the position that needs to write a board report. So for directors, then what should we be asking for? What are the elements that makes up a good board report?

Julie Garland McLellan 12:07

I think the first one is fitness for purpose. And so for the person to write a report, they need to understand what is the board going to do with this? Why do they want this information now? I had one board, and the standard template had a heading purpose, and in purpose, the author of the report wrote the board asked for this at their last meeting.

Helga Svendsen 12:38

Well, it's true.

Julie Garland McLellan 12:39

And unfortunately for that person, they had to come into the board and speak to their paper and present to us. The first question we asked was, why do you think we asked for this? I don't know. Well, probably because of this and this and this, and the information has to go here, and you've got to decide this, and so does the paper have everything we need to make this decision, and all of the information that's then going to be relayed to these other places, most of it, okay, what's missing? Why is something missing? Oh, well, you know, five pages. Template says no more than five pages.

Julie Garland McLellan 13:22

So to me, the answer is, first of all, start with the end in mind. If you're writing a paper, understand, what does the board want to do with this paper? And I'll give you a hint...usually, it's because it will advance the company in its strategy towards the mission and vision, or it's because it will help the board to avoid or ameliorate or manage a risk, or it is because the board has a specific duty to perform, and therefore they need this information to make this decision or to make a declaration, and if you know those key reasons why a board would be asking you write a very different paper for each of those reasons. So understanding why, which means you really want your board paper author to understand what the board is and what the board does and what their duties are, because otherwise they can't possibly write papers to help you do that. And that sounds to me so logical, but so many people will ask someone to write a paper for the board, and that person with the best will in the world puts down everything they know and then gets told, Oh no, you can't do 20 pages. That's too much, but they don't know what to take out and what to emphasize, because they don't know what the board's going to do with it. So getting that purpose clear and training people, they don't have to do a five day course in directorship, but it would help if they spent an hour just being told, this is why we have a board. This is what the board does. This is what can happen to the board if they make the wrong decision based on the information you give them.

Helga Svendsen 15:17

It's interesting, isn't it? There's two things that I just segue to there is that I always think it's great if executive members, or people who are reporting to board in whatever way it may be, if they are on a board themselves, having that board experience helps enormously to know what the board needs to know. And the other thing that comes to me in hearing that is, yes, the people writing the reports need to be thinking about what the board needs to know. But the board, I think, also needs to brief well about why they're asking for things as well. So if the board is clear, we would like a report on x, because we would need to delve into the risks around that, or the opportunities around that, and how it aligns with our strategy, whatever it may be that also helps. I think, rather than we just need a report on that.

Julie Garland McLellan 16:02

Yeah, and the brilliant thing about that is that you can hear already, just from the way you were talking, how that would influence your board's minutes. And your board minutes are a really important board paper, and I know you're going to have an expert talk on board minutes, because it's the letter to the future judge that you hope will keep you out of jail. So having those minutes well written so that it's really clear what the board had, what they thought, and what they decided, and how diligent you were. And again, if you're careful in your specifications of the papers you want, that flows through into your minutes and makes a much more convincing story for a judge and a much more useful read when you next hire a new director, because that director, if they're any good, we'll ask for some past board minutes and packs, and we'll read through and it will give them a better idea of the board they're joining.

Helga Svendsen 17:09

Yeah, that fresh eyes and knowing that it needs to tell the story to people who were not there, which doesn't mean you need all the detail, but much like board reports as well, they need to be able to tell the story to people who are not in the business day to day. So board reports need to be fit for purpose. They need to have the audience in mind and what the audience really needs the board and why the board have asked for it, not just that they have asked for it, but why the board has asked for it. And start with the end in mind, what else should boards be looking out for or asking for from those that are writing the board reports for them?

Julie Garland McLellan 17:48

For me, another very good pro tip is to ensure that management bring papers for the important topics when management is still forming its thinking, because as a director, that's when you can have the most impact. And I know board time is precious. It's a scarce resource, but those discussions early in the piece, when things might come as a for-information paper or a discussion paper, even better, and then come back maybe months later as a decision paper. And I've seen with some organisations many, many years ago, with BHP, we had a major strategic decision in the early 1990s so I feel safe to talk about it. We took that to the board five or six times in different stages of our thinking and their thinking, so that in the end, when we went back with what was a courageous decision, the board were fully prepared and across the issues. So I think one of the things to ask for is bring us in early enough. Don't just bring us in when you've made your decision and you want us to resolve to accept your recommendation, if you've only got one choice, you've got no choice, but it turns into a take it or leave it horrible situation. So having the board feel that they own the choice that's evolved is very, very important.

Julie Garland McLellan 19:37

I think another thing to think of is you don't want them to be too long. So you need to know what the board already knows. And on the one hand, you want every board pack to stand as a unique repository of the information the board had, but you don't want to keep repeating things again and again and again, because that's a waste of time and space. So knowing the history of this topic with the board and some boards actually ask for that history in the papers so that directors can go back to it. Some boards provide a brief summary. Some boards expect directors to remember, which is great until you have a new one who doesn't and can't and couldn't possibly so I find that's another important thing, and then getting your papers consistent and coherent, so that your board pack sits together very often, you'll have something quite upbeat from one group of people, and something quite concerning and worrisome from another group. And there's no unifying of that. The Board are left to draw their conclusions and understand how those two departments can see the world so differently, whereas I think if you are sufficiently senior to write a paper for the board, you should also be sufficiently senior to understand what's going on in the whole company, and even if your paper is upbeat when everything's going wrong, to put it in the context of what else is happening, setting that context and understanding the context. And you don't have to repeat things. If you're writing the finance report and the CEO has said something in the CEO's report, well then you don't need to repeat that. You can go deeper, or you can go shorter, and the board love that, making sure that everybody's using, you know, little things like the same system of units, the same assumptions about economic growth and background. Sometimes you turn from one paper to another, and it's like you've stepped onto a different board.

Julie Garland McLellan 22:02

So yeah, integration, coherency, consistency, making sure that you don't change the basis of measurement from one paper to a subsequent paper on the same topic, because different things will stick in different directors minds. So if the number was 10, and now you've changed it, so the numbers actually eight, and it was eight last month, but you don't bother saying you're going to wind up with directors who feel uncertain and who are therefore more suspicious and more likely to ask the questions that allay their concerns instead of the questions that add value for the company.

Helga Svendsen 22:50

Oh, there is so much gold in there. Julie, so much gold for boards to think about in getting their good board papers before we do the wrap, although I just want to check what should I have asked you that I haven't about good board papers?

Julie Garland McLellan 23:06

I think we talked about the investment in training, but the investment in actually creating and delivering your board papers. Most boards don't realize how much time executives spend on

reporting to the board. So your average CEO will spend up to 50% of their time on matters for the board.

Julie Garland McLellan 23:33

The average CEO director report will be spending up to 30% of their time on matters for the board, and the layer below that up to 25%. You do the maths, and you just look at the salary costs of those people and the percentage of their time that they're spending. And just to make the maths easy, if you say, well, everybody earns \$100,000 a year, so you've got maybe \$50,000 worth of CEO time. And below the CEO, maybe five direct reports, so you've got \$150,000 of their time. And then below those, maybe you've got another \$300,000 or \$400,000 suddenly you've got almost a million dollars of board pack per year. And this number, when you do the research, and you look at the research, is fairly consistent. The Americans spend longer than we do, but the proportionality is there, and it doesn't seem to shift.

Julie Garland McLellan 24:45

So, one if you can make the process for writing your papers and handling the queries around your papers better and faster and more efficient, the cost savings are real, and they are big enough to make a difference.

Julie Garland McLellan 25:00

Two, if you are spending that much money on something, you really should be thinking about it and tracking it, and you would not spend that much money on anything else and not identify it as a separate budget unit, but somehow it just goes into salary costs and gets lost. And we sometimes look at things like, how much money did we spend editing the annual report, which is a ridiculous thing to look at, whereas how much time did management spend writing an annual report that needed that much editing from an external person is a much better number to be looking at. Time has cost.

Helga Svendsen 25:51

Yes, it's such a good reminder. Again, these things don't happen by magic. It is an investment of time and effort. Julie like I say, so much gold in this conversation about board reports, what are the key things you want people to take away from the conversation that we've had today?

Julie Garland McLellan 26:07

I think the key thing is be very clear. If you ask management to give you a paper on something, why you need it, what you're going to do with it when you've got it.

Julie Garland McLellan 26:19

The second thing is to make sure that the people writing your board papers have been trained and understand what a board is, what a board does, what your personal liabilities are, and also what you should need, so that they can provide it, because otherwise they're just doing the best they can. And it's not that they're trying to be misleading, but a lot of people don't know.

Julie Garland McLellan 26:45

The next thing is, control the length. Make sure people know how to summarise without dropping key points. But to hit a succinct report, if I read five pages, I can remember the key stuff. If I read 20 I can't, and finally, is to really think through, how do my papers fulfill the needs of my agendas and my minutes and my annual work plan? Because it's a holistic environment you need good papers to develop good minutes, and you will decide what your papers are, I hope, mostly based on your strategy and your annual board work plans.

Helga Svendsen 27:35

It all fits into the ecosystem together. I love it. And is there a resource you would like to share with the Take on Board community?

Julie Garland McLellan 27:43

Oh, there are plenty of resources. I think the first one is I would love for people to reach out and join me on LinkedIn as a connection. I would love you to subscribe to The Director's Dilemma newsletter, www.directorsdilemma.com, and the other resource which I will make available for you is the soft copy of the Presenting to Boards book I wrote that book takes the training that I deliver on writing better board papers and extends it into Okay, you've written a good board paper now you're going into the boardroom to present. This is what you need to know. So I'll make that book available for you at the end of this recording.

Helga Svendsen 28:33

How fantastic. Well, we'll put links to all of those things in the show notes to make it easier for people. Folks, if you're listening to this while you're out for a walk or you're driving and you can't

look at the show notes, and it's going to disappear when you go to the next podcast. Just go to my website, because all of the links will be there for you to find what you need. Julie, thank you. What a fabulous conversation. I think you and I have been talking about getting you on the podcast for probably as long as this podcast has existed. So I'm so glad we could finally make it happen and dig into your wisdom about board reports. Thank you so much for joining us on the Take on Board podcast today.

Julie Garland McLellan 29:09

It's my pleasure. Thank you for having me.

Transcribed by <https://otter.ai>