Rules for Presenting Status Reports to the Board of Directors

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Initiatives: Executive Leadership: Digital Business; CIO Role Evolution; Executive Leadership: Executive Communications

One of the most common subjects for a presentation to the board is the status report. The board may request an annual overview or an update on the status of a major initiative. These board presentation rules will help executive leaders succeed in these sessions.

Overview

Key Findings

- Executive leaders must regularly present the status of their portfolios or an initiative to board members who may have little familiarity with the area.

- Executive leaders’ tendency toward perfectionism can lead them to inadvertently present status reports that skew negative, thus creating difficulty in defending against board concerns.

- Overreliance on data and objectivity can make it difficult to tell a compelling story about the data and the unit’s accomplishments, and can create personal brand problems for executive leaders.

Recommendations

Executive leaders who are guiding digital business should:

- Present status in terms of what boards care about the most: impact on enterprise revenue or mission, cost, and risk.

- Focus on telling the board an impactful and memorable story, rather than seeking to share data and be objective.
Deliver business insights to the board, rather than just data, to ensure the board views the executive leader as a business leader and the unit as a strategic asset.

**Introduction**

Interactions with the board can be organized into three major categories (see Figure 1):

- Request for approval of either funding or direction
- Status report for an initiative or a portfolio overview
- Strategic discussion on co-creating a digital strategy

**Figure 1: Approaches Will Vary Based on the Category of Board Meeting and Objective**

Here, we focus on status reports to the full board of directors (rather than to the audit and risk committee, for example). The other two topics are addressed in *Rules for Presenting Proposals to the Board of Directors* and *Rules for Discussing Digital With the Board of Directors*. 
The best status presentations to the board deliver business insights, rather than just data. There is no single, correct way to construct a board presentation, but the most successful ones share some common traits that we can call “board rules.” Executive leaders can use the board rules for status reports to create board presentations and preread materials. Executive leaders can also use the board rules as a checklist to help further refine an existing presentation deck or board pack (see Table 1).

**Table 1: Review Checklist for Board Status Reports**
(Enlarged table in Appendix)

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**Source:** Gartner

**Analysis**

**Board Rules for Presentation Focus**

The purpose of any status report is threefold:

- Deliver insight to the board regarding the business unit’s contributions to business objectives
- Gain support required from the board to continue moving forward
- Build a brand for the leader and the unit
Four board rules create focus to achieve these goals.

**It Is More Important to Be Interesting Than to Be Complete**

This is one of the rules that leaders inadvertently violate most often. A leader’s ability to process data is generally inverse to a director’s interest in hearing about it. An individual’s ability to concentrate and choose what to ignore is sometimes referred to as “executive attention.” For a leader to maintain executive attention, the first rule is to focus on being interesting to the directors, rather than to risk their missing the most important points by telling them too much or at the wrong time. The key to being interesting is to put status reports in terms that directors care about.

**The Board Cares Only About Three Things**

What boards care about is highly predictable. Whatever they say, the reality is they care about only revenue or mission, cost, and risk (see Figure 2). Non-revenue-generating government entities generally substitute mission enhancement (for example, public safety and public health) for revenue generation.

**Figure 2: Board Rule for Messaging: The Board Only Cares About Three Things**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating or nonoperating income</td>
<td>Enhanced nonrevenue mission objectives</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Cost</th>
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<tbody>
<tr>
<td>Future cost avoidance</td>
</tr>
<tr>
<td>Immediate decrease in operating expenses</td>
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<table>
<thead>
<tr>
<th>Risk</th>
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<tbody>
<tr>
<td>Regulatory compliance and security</td>
</tr>
<tr>
<td>Infrastructure reliability</td>
</tr>
<tr>
<td>Innovation</td>
</tr>
<tr>
<td>Brand and reputation</td>
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</table>

Few boards provide templates for status reports. Many leaders report that boards provide little guidance for these meetings other than, “Provide an update.” So most leaders must figure out what would be of most interest to them. When leaders focus on revenue or mission, cost, and risk, it is difficult to be wrong. Enterprise and board priorities are often stated in exactly these terms, or represent a subset of one or more of these three things. Leaders should review the enterprise strategy and any stated board priorities to determine where to focus.
Leaders should consider the exercise below when preparing the next status presentation. They should create three slides:

1. **Revenue or mission** — List and quantify the relevant initiatives that directly contribute to revenue. These may be systems, processes or products that are directly tied to acquiring new customers, or that increase customer retention or wallet share. Ideally, they should support the overall enterprise growth strategy. In public-sector entities, these are systems or processes that directly impact the organization’s mission, such as public health, education and safety.

2. **Cost** — List and quantify the relevant initiatives that help to either reduce the cost of business or create productivity in some other part of the enterprise. The latter is more interesting to most boards than the former, given that the productivity number is much higher than the savings. Note that, frequently, these investments can actually increase the operating budget, but create significant savings in another part of the enterprise. This is also highly interesting to the board.

3. **Risk** — List the relevant initiatives that directly contribute to enterprise risk management. These may include compliance activities, security and infrastructure. These will primarily appear as a price-for-performance discussion, which will interest the board, given that oversight is one of its primary mandates. Leaders with innovation funds can include that category here as investments in “good risk.”

Leaders should use this exercise to quickly decide which departmental accomplishments to emphasize, and consider using the three slides as the core of the presentation. If leaders do nothing else, then it is very difficult to be wrong if they have the three slides on revenue or mission, cost, and risk.

Quantify the revenue or mission, cost, and risk impact even if the numbers are not perfect. Leaders often hesitate to do math, which is less than exact due to their perfectionist tendencies. This is a lost opportunity. Board members are generally comfortable with ranges and conceptual models when forecasting value outside the income statement.

*It Is Not Your Job to Be Objective; It Is Your Job to Tell the Story*
Leaders are the primary flag bearers for their units’ brands and their reputation. So it is essential that they deliberately decide what that brand should be and continually tell the story. That story must always begin with the enterprise goals, and the story of how the leader and the unit contribute to achieving those goals. Many leaders will inadvertently attempt to be objective and allow the board directors to make up their own minds. This is an admirable ethic, but, unfortunately, suboptimal for two reasons:

- If the directors are unfamiliar with the business unit presenting, the odds are low that they will accurately discern the story. So, for example, a director with a financial background may not be expert in digital issues, and an operational director may be less familiar with regional compliance nuances.
- Leaders are not as objective as they aspire to be. They often lead with “problems to solve” and “things that have gone wrong,” and inadvertently give the impression that things in the unit are always broken or breaking.

**Action item:**

- Compare your approach with that of your executive peers and ask, “Are they telling their units’ story or being objective? Are they airing the same type of problems to the board with the same frequency my unit does?”

**Decide How You Want the Board Directors to Feel**

Research shows that human beings, including board members, make the vast majority of their decisions emotionally, and then find data to back up what they already decided emotionally. Some leaders tend to lead with data. As a result, they risk being unconvincing. Leaders must decide how they want the board to feel as a result of the status presentation, and then use data to back up the emotional arc of the story. If there are one or two key members of the board who are more influential than others where particular issues are concerned (for example, the head of the technology or risk committee), then the leader should dig deeper into which emotions they tend to respond to and make sure to factor that into the approach.

Leaders should consider:

- Is this good news or bad news? Do you want the board to feel happy about the value the business unit is generating for the enterprise? Or is this bad news about a cost overrun or security breach?
Is this high-impact or low-impact? How happy do you want them to feel? Excited because the initiatives exceeded their revenue forecast by 100%? Or how badly do you want them to feel? Mildly concerned that some risks are manifesting that you have under control? Or terrified because there are “someone might go to jail” security breaches?

Is it getting better or worse? Perhaps the business unit is understaffed, but less than it was last year. Or perhaps there are multiple legacy systems and processes, and the enterprise is continuing to defer remediation, and its risks are increasing.

Action item:

When creating the emotional arc of the status story, always select the emotion you want to elicit from the board and its intensity. Then, complete the arc with the anticipated trend line.

Board Rules for Presentation Format

Numerous formats can work for a status report. The most effective ones will depend on the culture of the enterprise and the board, and on the leader’s personal style. Leaders should incorporate some of the following format rules into their status presentations.

Highlight the One Thing You Want the Board to Remember

An executive leader is usually one of multiple individuals presenting to a board on a given day. It is unlikely the board directors will remember everything they are told, and it is a certainty they will forget everything except key nuggets of information. Leaders should decide which message or insight they want the board to remember and design their status presentation around that idea — for example:

- We contributed to improved enterprise sales productivity by 20% by investing $2 million in a new customer management system.
- We contributed 5% revenue growth in the European region by launching new functionality on the mobile app.
- We gained 20% in customer service productivity by implementing artificial intelligence and machine learning.

Action item:
Always Start With the Value, and End With the How

The bullet points above illustrate the next rule of formatting great board-relevant messages: Start with the value result, and end with how it was accomplished. This applies to many board messages. Many leaders begin by explaining what and how they did something, and then share the business impact second (or not at all). This puts the emphasis on the means, rather than on the impact and value — for example:

- **Common board message** — The department implemented a new customer management system on time and on budget, which improved sales productivity by 20%.

- **Revised by this rule** — We improved enterprise sales productivity by 20% during this fiscal year by investing $2 million in a new customer management system.

Action item:

- Review every message in your status presentation. Ensure they all begin with the value (revenue or mission, cost, and risk) and end with the how (new technology investment and capability).

Never Show Data Without Interpreting It for the Board Directors

By necessity, most status presentations are full of large amounts of data. It can be very easy for the board to misinterpret a single data point in the same way they can misinterpret the leader’s overall storyline and lose the business insight. Here are some examples:

- The operating budget forecast for 2022 is $247 million.

- The staff is composed of 50 full-time staff, 40 full-time contractors and a service center of 15 people in Eastern Europe.

- Network availability in 2021 is running at 98.7%.
It is impossible to know if any of these individual data points is inherently good or bad, and if it is getting better or worse. Board members should never be left to guess, nor should the leader spend his or her limited interaction time with the board in low-value discussions explaining detailed data. It is preferable to proactively interpret the data for them, and then have a high-value discussion about the implications of the data, rather than the basics of what the data means. Rather than stating the budget number, the leader should consider saying something like, “We do not have enough funding to make our legacy systems fully compliant with recent regulations and to deliver on all planned projects. We will be making recommendations for project cuts unless we receive additional compliance funding.”

**Action item:**

- Review every data point in your status presentation. Either add an interpretation of the data so that board members will understand what it means, or consider removing the data entirely. Place the interpretations where they are easily visible, such as in the headers of each slide.

**Always Show Data in Context**

Sometimes, leaders need to convey a complex dataset or trend and the impact of that trend on the enterprise. To illustrate, Figure 3 shows two representations of graphical data — the graphical data on the left should be compared with the one on the right.
Figure 3: Board Rule for Presenting Data: Always Show Data in Context

The bar chart on the left shows workforce composition and staffing over time. The chart on the right is identical, except for a line that shows the revenue trend over that same period of time. Each chart is subject to multiple interpretations, depending on each director’s experience and what the director wishes to see. For possible interpretations, see Table 2.
Table 2: The Risks of Data Without Context

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Source: Gartner

In Figure 3, both the data on the left and right are subject to wide interpretation when presented on their own, and inaccurate assumptions may be made. The data on the right, where staff data is shown with the revenue context added, opens up a different set of possible interpretations. It is important for leaders to show the context and then be explicit about stating the message.

One executive leader who used a version of the right-side graphic with his board was conveying the following message and insight:

“We have become more and more efficient over the past few years, and more flexible in staffing. However, we have now grown to a point where we are at a cliff where this is no longer sustainable. We as an enterprise need to begin investing more in staff resources to support all of the new volume and capabilities associated with continued growth.”

Action item:

Whenever possible, show complex trend data in a cause-and-effect context. Show Trend 1 (staffing over time), which is caused or is correlated with the following trend effect (revenue growth), followed by recommended actions. Then be explicit about stating the message you assign to the data.
Board Rules for Meeting Management

Healthy questions and feedback should be a normal part of any productive board meeting. The two rules below address some of the most common challenges for leaders when dealing with questions in the boardroom.

The Answer to Most Board Questions Is a Trade-Off

When board members pose questions to an executive leader, they are rarely looking for one right answer. Often, they are looking for options to consider or provide input on so they can do their fiduciary duty of providing expertise, input and oversight. Even if the board has no decision to make during the meeting, the board directors may want to confirm that the leader considered multiple options, and to ensure their understanding of those options and the final choice or recommendation.

The following question illustrates a common board question about the enterprise and its technology: “Are we secure?” Answering this diplomatically can be complex. While all leaders know that it is simply not possible for any enterprise to be 100% secure, saying this to board directors with low technology savvy may inadvertently offend them.

Some leaders answer the question by illustrating the trade-offs they considered in creating a security and risk strategy. For example, leaders may explain how much they invested in technology and best practices versus insurance, and how much money may have been set aside to recover from any security and risk issues that could materialize throughout the year (see Figure 4). This gives the board the opportunity to understand the choices that the leader is making, and how they might work together to change the enterprise risk profile by investing more in one category or another.
Answering questions is one of the most politically sensitive actions that take place inside the boardroom. Look at questions as an opportunity to positively engage the board’s expertise in a trade-off discussion, while simultaneously demonstrating your own expertise.

Always Tell the Board the Interdependencies That Drive Success

Philosopher and diplomat Joseph de Maistre said, “Every country has the government it deserves.” The same is true for any organization — every enterprise has the organization it deserves. A company’s organization is the historical record of the executive team’s ability to work collaboratively, to take risks and to approach enterprise investment.

Leaders do not decide their own budgets, nor do they control the priorities of their executive colleagues. This is not to say they are blameless in their own fate — far from it. However, business outcomes are almost always a “team sport” wherein each member of the team depends on one another for the success of the final outcome.
As a result, leaders must always diplomatically share the interdependencies of any initiative or strategy with the board. The degree to which any significant initiative or strategy is dependent on colleagues for its success is critical information that many leaders leave out of board presentations for fear of looking defensive or appearing to blame colleagues for challenges. Leaders should socialize this messaging beforehand with the relevant management of those areas so, even if done well, it does not appear to be a potential “attack” on another business unit.

In reality, the more consistently that leaders share interdependencies with the board, the more natural it will feel to not only the board, but also the entire executive team. More importantly, the leader will portray the strong brand of a well-integrated member of the executive team who contributes to enterprise success.

**Evidence**

This research is based on reviews of hundreds of board presentation decks.

1. [Age Diversity in the Boardroom](#), PwC.

**Document Revision History**

Rules for Presenting Status Reports to the Board of Directors - 9 October 2019

**Recommended by the Author**

Some documents may not be available as part of your current Gartner subscription.

Rules for Presenting Proposals to the Board of Directors for Transitioning Leaders

Rules for Discussing Digital With the Board of Directors
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