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BOARD MINUTES

How to write them
and why they matter



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Introduction

Most business leaders know that minutes are a summary of what happened at a company board meeting.

That much is straightforward and most directors understand the principles of HOW to write minutes but I find many misunderstand the underlying principles of WHY well-written board minutes are important to you as a director. This article sets out to fill that gap.

I've been a director for a quarter of a century but I think it was only about ten years ago I really understood the full purpose of minutes and I regularly see minutes today that miss key aspects which reflects a failure to understand why we produce minutes.

By the way, I also know many businesses don't really have board meetings or minutes. That too is a big mistake for the directors involved and I hope in this article to cover why well-constructed board minutes matter and why not producing them is dangerous.

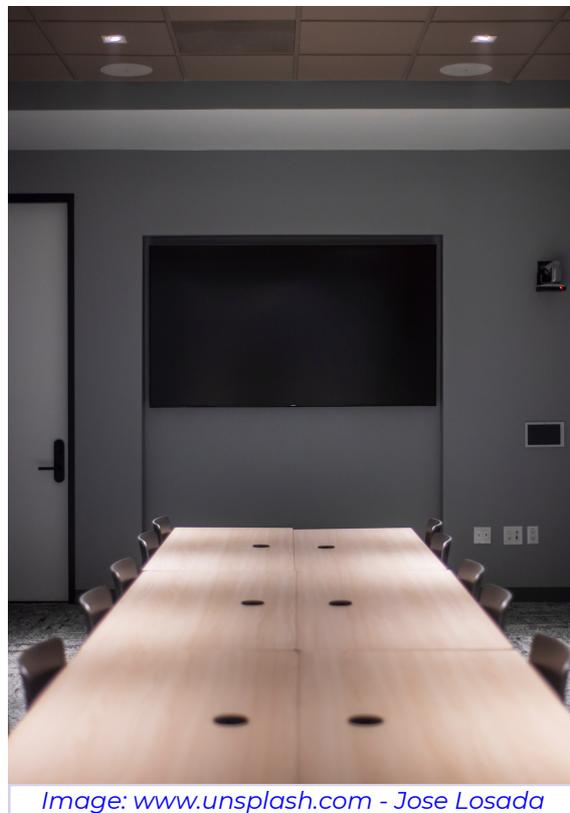


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Before reading, please note a caution; whilst I am an experienced director with reasonable governance experience, I am not a lawyer so do use your own due diligence and consult your own lawyer for full precise legal guidance.

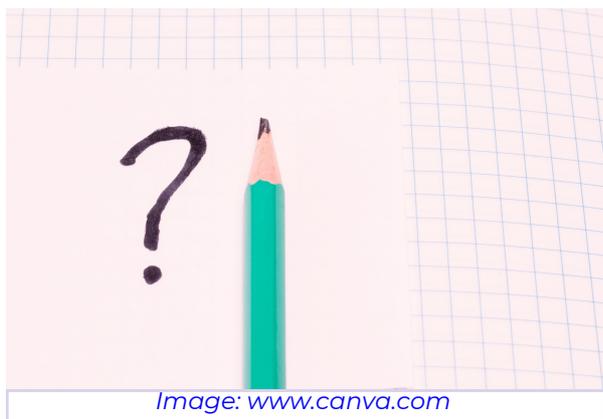


How to write minutes

Let's begin with the relatively well-understood basics of HOW to write minutes.

Minutes are a written record of what happened at a meeting. They help the board to make decisions and can be used as a reference point in the future. So writing minutes is an important responsibility for the business, as it helps to ensure that the board functions effectively and transparently.

The minutes of a board meeting should be a fair and accurate record of what was discussed and agreed upon. They should not be a verbatim account but should instead capture the key points.



Minutes should be unbiased and objective. They should also be accurate, concise and readable so that anyone who reads them can easily understand the key elements of the discussion as well as the decisions and actions agreed by the directors.

The following guidelines will help you get the basics right:

- 1 Stick to the facts. Minutes should be an objective summary of the discussions that took place, without
- 2 Be thorough. Minutes should record all important elements of the discussion, the actions agreed and the decisions made.
- 3 Be consistent. Minutes should be formatted in a consistent way so that they are easy to read and understand.





Image: www.canva.com

Why we write minutes

Now let's turn to the more important, but the less well understood, matter of WHY we write minutes. A critical angle as it influences how they are written and explains what distinguishes minutes that are good and useful for the business and the direction from those that are less so.

Business board minutes are written for three main reasons and each reason leads us to consider a different element of the content. The three reasons are listed below and the following paragraphs provide a little more detail on each.

- ① To record carefully the precise decisions of the board
- ② To capture commitments made by individual directors to the board
- ③ To record at a high level the matters discussed and, most importantly, the rationale behind decisions.

Decisions

This is the most commonly understood reason for minutes. What is sometimes missed is the need for precision as to what is decided. It is not at all uncommon for different parties to a decision to leave a discussion with different understandings of what was agreed.

Decisions should therefore be based on a clearly worded resolution, possibly around a pre-prepared board paper.

For example a decision 'to progress the development of the new Hyperdynamic product' means very little without supporting detail within the resolution or a separate (and carefully filed) board paper setting out the business benefits and risks of the investment. At the very least it should read "The board agreed to invest £100,000 and deploy Joe full-time to develop the Hyperdynamic product with the goal of market launch on 1st January and first customers on board by 31st March".



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Commitments and actions

This isn't really a matter limited to board records. Recording commitments in board minutes is simply good management practice in capturing the accountability of directors to the board. It is therefore more a part of the management process and, if it ever becomes necessary, a director performance management process. As such it is more akin to any other management accountability process at all levels throughout an organisation.



Discussions and rationale

This is the area many, including me in my early career as a director, miss. It is not good enough for minutes to simply capture what decision was made for the business. The minutes also need to capture the discussion leading to the decision, including why the board made that decision. More precisely they need to show that the board was appropriately diligent and thorough in making the decision.

And although often missed, this is in fact probably the most important purpose of the minutes. To show that the board were suitably thorough in assessing the considerations involved when making an important decision on behalf of the business. Or, to turn it around, were not negligent in making the decision. Which immediately leads to why this is the case. The time that board minutes become of real vital importance, and why every company board should keep thorough records, is when something goes wrong.

When there is an attempt to apportion blame or liability for something that happens in the business. This could be financial, or could be even more serious, when an accident happens and someone gets hurt.

In the circumstances of a court battle it is quite possible that a judge will, in assessing blame, look at board minutes behind the business decision. And in doing so they will not be looking as to whether the decision was right or wrong so much as whether the decision was reasonable and reached after appropriate consideration of all the material factors.



The logic is that most decisions are not black and white with an obvious 'correct' answer. They are nearly always decisions based on balancing pros and cons and deciding the best way forward.

Things do, in the real world, go wrong and judges are NOT business people so are not there to second guess the decision. They are there to assess whether the board made an appropriate decision after proper and diligent consideration of the factors involved or whether the board was negligent. Board minutes are key to how they answer that question.

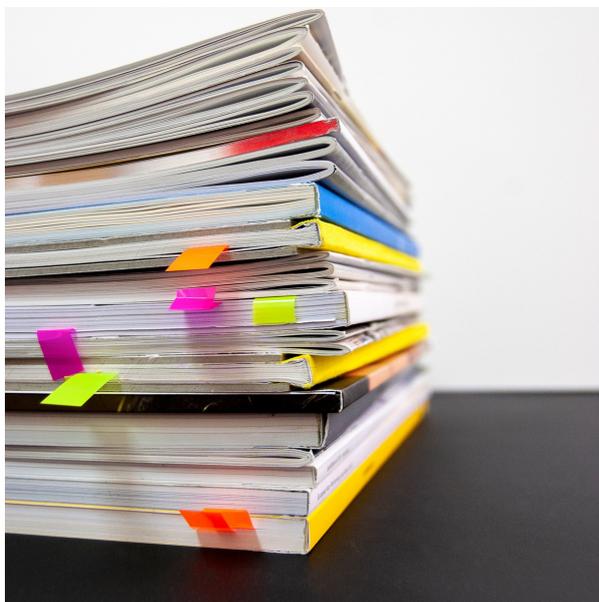


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If the minutes don't mention that due diligence then the judge could decide the board didn't do its job and so was negligent in making the decision without proper consideration. And on the contrary if the minutes, or an accompanying board paper, show that a full set of risks and challenges were considered and on balance the board decided to progress because they were outweighed by the benefits, then the judge may well conclude the board had done what could reasonably be expected of them in an uncertain and unpredictable world.

Board papers

Which leads to a final comment; note the reference to board papers. The preparation of board papers is very helpful in enabling clear and precise decisions and in keeping minutes simple. So preparing high quality board papers to support a recommendation for a board decision is a great help both in making better, more informed, decisions and also in demonstrating (by attaching them to the minutes) that the board had made those decisions with appropriate due diligence.





Summary

Minutes are important because they provide a written record of the decisions made by a board and the actions delegated to management in pursuit of those decisions. Most importantly they document the deliberations of the board and can be used to support or refute allegations of negligence.

Well-written minutes reflect positively on both the company and its directors, and play an important role in protecting directors from personal liability. If you have any questions about how to take meeting minutes, please don't hesitate to contact me. I'm happy to point you in the right direction!



Image: www.canva.com

Board minutes

Bob Bradley

The author : Bob Bradley - Provoking thought, motivating action.

A key purpose in life for me for many years has been to enable operational business leaders to achieve more success with less stress by developing their competence, confidence and motivation.

MD2MD was a great vehicle for doing so for twenty years and I am proud to have discussed business challenges through MD2MD with over 300 business leaders at over 500 peer group meetings online and in person and with well over 200 different professional speakers.

I am now semi-retired and MD2MD continues to pursue my passion in its own way, under new leadership.

Meanwhile, between spending time on family and travel, I try to find time to continue to champion the cause by sharing as widely as I can what I have had the great privilege to learn from those leaders and speakers by:

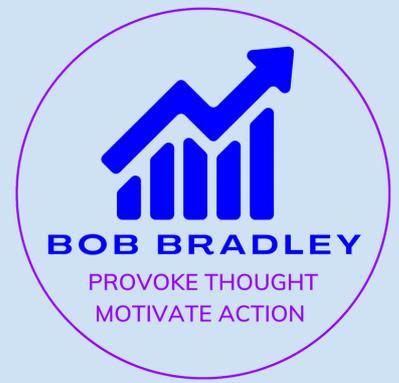
- Speaking and writing
- Facilitating strategic workshops



In addition, I continue to contribute as a business coach, mentor, consultant, director, and chair.

If you need a skilled and experienced operational business leader to provoke thought, motivate action and support the growth of your business, I'd be delighted to help if I can.

Whether that's in the form of a quick, informal chat to provide support during challenging times or to provide more in depth help on a commercial basis.



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an effective director?

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