Fund Directions

Learning Curve

Making The Leap To A Totally Paperless Boardroom

By Joe Ruck, BoardVantage

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Mutual fund board meeting agendas are jam-packed, with compliance and regulation topping a list that also includes auditing and accounting, disclosure and governance, portfolio oversight and fund performance reviews, and any number of other items. One topic that may not make the meeting agenda, but which could make the meeting itself more productive, is going completely paperless. This is the next step in the electronic board book process, which many boards have started but not yet completed.

Digital technology has transformed the way people do business across almost every industry, but mutual fund boards traditionally have been very cautious when adopting new technology. However, with an estimated 60% of *Fortune 500* boards now using electronic board books, it is clear that initial objections about security, control, and ease of use have been overcome for the most part among boards in general. In fact, most directors realize that modern board portal technologies increase their visibility and improve the timeliness of their access to information, while quashing concerns over control and discoverability.

Over the past several years, **Apple**'s iPad has made the journey to a paperless boardroom easier than had previously been imagined. With its dramatic revision to the user interface, the iPad is ideally suited for the dense information boards need to review in an intuitive and accessible manner. The iPad settled the debate about which device to use and took concerns about directors' digital literacy off the table. Perhaps most importantly, the iPad's readability and portability makes the online board book an even better experience than its traditional printed predecessor.

With those initial hurdles cleared, it's time to turn attentions to a more ambitious goal: Migrating all of the board's work onto the iPad—not just document review, but also written consents, e-signatures, secure email and other tasks. In other words, fund directors should be thinking—and talking—about going 100% paperless. With that in mind, here are five technology must-haves for a successful outcome:

Online-Offline Syncing: Directors carry their iPads wherever they go and rely on them for access to their board materials. Not unreasonably, they expect ready access to those materials even if they're out of Wi-Fi range. An essential requirement is briefcase technology that syncs content seamlessly between online and offline so any notes made while offline are immediately available when a director is back online. Also, to ensure directors have the latest information the system lets the general counsel push new materials directly to the director's briefcase.

Protecting Against Discoverability: The iPad is a groundbreaking mobile device, but there is a tension between mobility and the risk of discoverability. Having the board book on a director's iPad creates a potential legal exposure because directors may forget to purge this information. The way to eliminate this risk is with a system that centralizes control with the general counsel so that downloaded content, and directors' notes, can be purged remotely by the general counsel, without relying on the actions of directors. This is akin to the traditional practice of the general counsel collecting and shredding paper board books following the meeting.

Online Equivalent to Paper Process: Board communication is characterized by varying levels of access to sections of the boardbook. For example, what members of the audit committee see is often different from what members of the governance committee see, or outside counsel may be added for a single meeting and then have access rights revoked. In other words, a big part of board communication is about who sees what and when they see it. Today, that control exists with paper. It may be onerous, expensive and slow, but it works. It is critical that the portal has an equivalent ability to differentiate access between various users. In the portal this comes in the form of a control matrix and content segregation.

An Experience That is Better Than Paper: When you change a long-standing process, you have to offer people an incentive. What you give them has to be better than what they have today. That means the user experience for directors has to be more engaging and satisfying than what exists with paper. This requires an application that takes maximum advantage of the rich graphics and animation of the iPad to improve directors' entire boardroom experience.

Embracing Two-Way Communication: For years, the board portal was a one-way communication tool. The general counsel distributed material and directors retrieved it online and rarely communicated back. Now portals are shifting to two-way interactive capabilities that can improve decision-making by providing greater efficiency but also allowing directors to focus on the substantive issues rather than minutiae.

Observing these five must-haves will increase dramatically the odds of a good experience for the board as it shifts to a paperless environment. Additionally, here are five important questions fund directors should consider as they prepare to lay out a paperless board portal solution:

- What is our goal in deploying a board portal? Are we looking for simple online access to the board book, or do we want to go paperless?
- How do I access the board book if there is no Wi-Fi, as in when flying to a meeting?
- Will the general counsel have the ability to remotely purge my notes after meetings so they won't be discoverable?
- If we set out to go paperless, does the system have eSignature capabilities so we can sign off on consents and agreements?
- What capability is there in the system to help the general counsel's office with board book creation and distribution?

Just as digital technologies have transformed entire industries, the fund world is now increasingly letting go of manual processes and paper-based content distribution. The final bastion of the paper-based board book is now on its way out. Many corporate secretaries are seeking change as the underlying technologies of secure hosted applications, ubiquitous network connectivity and mobility have caught up to delivering on the promise of "going paperless." As these technology limitations have faded and directors ask for more than just document access, boards are setting more ambitious goals and making the transition to paperless more quickly.

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