

## HOW BOARDS CAN STEER MANAGEMENT AWAY FROM STRATEGIC PLANNING TRAPS

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Most boards and most senior executives engage in strategic planning exercises on a routine basis. What's wrong with that? Maybe nothing. If your organization is performing well against objective measures of what matters most, then congratulations to you. If you understand *how and why* performance is good, even better. Finally, suppose you have a clear, simple, teachable framework for success that doesn't depend upon a heroic chief executive. In that case, you are on your way to guiding an organization that can achieve success over time.

However, in our experience with more than fifty boards, we find they tend to overstate how well they hold management's feet to the fire on strategic plans. It starts with saying no to formulaic plans that are more operational than strategic. So how is it that a group of intelligent, successful people can settle for so little from management? Three reasons; the first we can do nothing to change - directors are human beings. The other two are worthy of understanding, and can be acted upon with excellent results.

**Strategy is hard.** It takes hard work to create a robust yet simple strategy. It's easier to analyze, look backward, compare ourselves to ourselves (we aren't joking about this, self-referential benchmarking is common – both quantitative and qualitative.) However, a group that marches through predictable exercises that yield little, can still create a sense that they have done "strategy." Strategy is all about making choices. If directors make choices wisely, they need to think, think about their thinking, and consider what is

influencing them. Hint: All that affects us is not information and analysis.

**Methodology is an easy way out.** Legions of consultants have methods for strategy development, and most will yield huge presentations that look great and have a lot of analysis, some of it relevant, some not. Unfortunately, the essence of the strategy is usually on the first page, and all the rest is justification. Directors should not entertain pages of analysis; instead, they should expect management to explain their plans in straightforward language. Good leaders can do this, while weak ones hide behind charts.

It may sound comical, but there is profound truth in what Rita McGrath, Professor at Columbia Business School, says about strategic planning. She says -

*Most strategic planning exercises are budgeting in a Halloween costume!*

Indeed, prior year budgets and Pro-forma changes often have outsized influence over strategy processes, which is one reason why strategic planning processes often kill innovation. When there is no framework for risk assessment, the idea of investing is often too scary. Utter the word "risk," and some people become very unsettled, even if the risk has yet to be defined or studied. Directors can make the mistake of leaning toward "safe decisions" that aren't safe at all. They lead to the myth that they are innovative when they are improving processes or extending reach.

## Seven ways for boards to steer away from strategic planning traps:

- 1. Be clear about what strategy is and isn't.** Strategy is about what we intend to become, not how we will get there. Strategic planning can drain the life out of strategy. This is especially true when focusing on *how, when, and who*, giving little attention to *what*.
- 2. Get familiar with how you and your colleagues behave when you are uncomfortable.** Human beings don't like discomfort, and have an endless number of ways to avoid or reduce it. Courageous boards can work through tensions, while being honest with themselves and each other. A vibrant, courageous board can self-monitor and self-regulate, and they are brave enough to routinely invite expert input and advice about how they function as a team. Cowardly boards tolerate poor behavior, bad boundaries, and meddling in management, but defend their actions with vigor.
- 3. Call out default positions or decisions.** Directors that frame up conversations with the correct emotional language can help the entire board slow down long enough to shift gears. Saying "This is going to be tough" can signal everyone to dial in not only to the content, but to their own, very understandable tendencies to take shortcuts when things are hard.
- 4. Be on the lookout for what will distract you from strategic thinking.** When conversations take a turn to the tactical, it can be a way to avoid the complex and sometimes messy strategic dialog necessary. Likewise, a bully director

can derail meaningful conversations by saying things like, "This is a waste of time, we all know what the answer is" or other bombastic, demeaning comments.

- 5. Engage leaders who must implement a strategy.** Directors should know the top management team, and not just from formal presentations in the boardroom. If the board is too reliant on the opinion of the CEO about who can do what, it is difficult for them to give advice that could make a big difference.
- 6. Expect a one-page statement of strategic intent with no more than five priorities.** A strategy that can't be easily explained is almost certainly not strategic. The strategy should have a few key priorities and identified measures of success. It's not enough to say, "we'll be the greatest." Directors need terms operationalized, and measures that tell them if progress is being made or not.
- 7. Tie budget approval to the priorities.** If something shows up in a budget proposal that isn't related to the strategy, the discussion should come to a screeching halt. What is it? Why? There might be a great reason, but it could also be a way to keep one foot on the dock while trying to launch the boat, a plan that almost surely ends up with losses.

The board's role is to govern and advise, with some exceptions, such as start-ups. However, sometimes to stay out of the weeds, directors can miss their opportunity to ask pertinent questions and be appropriately skeptical (not cynical). These seven ideas can help boards operate at the right level, and add value as shareholders, employees, partners, and communities expect.

We advise on any unaddressed issues to help the board and the company move forward. If you have any questions about The Board Mindset, visit [www.theboardmindset.com](http://www.theboardmindset.com) or [contact us](#).