

STRATEGY - THE ROLE OF THE BOARD

Boards play a fundamental role in strategy development, governance, and implementation. This is commonly accepted but not consistently or effectively applied. It starts with the joint and collaborative development of the strategic plan. Following the development of the strategic plan, the board has a role to play in assisting with the development of business plans and key performance indicators (KPIs), and overseeing implementation of the plan.

Formulating (or Updating) the Strategic Plan
The most effective way to facilitate this is through a dedicated, focused planning process, held every three to five years. It is wise to hire a skilled facilitator for this engagement. This allows the CEO to fully participate, rather than act in the role of facilitator. A strong facilitator will seek information from the board in advance, and will offer insights during the (typically) two-day meeting.

The purpose of this session is to:

- align on the organization's vision, mission (if applicable), and values
- consider the internal and external environments, and what has changed and what is likely to change in the years ahead
- reflect on the opportunities in the market, consider expansion - and growth, organically or through acquisition, what products or services are, or could be, in demand
- discuss the appetite for risk - by management and on the board

While the primary outcome of this planning will be a newly minted strategic plan, there are additional benefits, particularly when including members of the executive team. Their exposure to the board can be a benefit to all participants. Here is how the best CEOs structure this opportunity.

- They seek support from the board to include some or all the executives at the planning session.
- Committee chair(s), board chair or vice-chair, and the CEO agree on the purpose and roles for the executive at the session.
- The CEO provides a brief background on each of the executives and identifies their recent performance and career potential. If the CEO considers one or more of their executives to be a potential successor, it is particularly beneficial to have that individual participate.
- The CEO prepares the executive(s) for the session, setting them up for success. It is particularly important that the executives demonstrate strategic thinking, judgement, and expertise to the board. Too often, executives can diminish their contribution by speaking and thinking at a tactical level.
- If any of the executives are presenting material at the session, it is recommended that the CEO review the presentation and provide feedback in advance.

The executives will benefit from hearing the types of questions the board asks, and from learning what risks the board considers in their deliberations. The directors benefit from observing and hearing from the executives firsthand.

Another outcome of a well-led planning session is deeper trust between the board and the CEO.

Overseeing the Strategy – the Role of the Board
Following approval of the strategy, the role of the board shifts to new activities. The board may utilize their committees to work more closely with the CEO.

This could include reviewing business plans, budget updates, resource requirements, risk mitigation, and updates to (KPIs). It is recommended that an annual review of strategy be conducted at a scheduled board meeting. At these sessions, the board confirms that management is making progress through reviewing dashboards, KPIs, customer feedback, employee satisfaction results, financial performance, etc.

Boards have an important role to play in the development and oversight of strategy. This enables them to meet their fiduciary responsibilities and to contribute to the best governance of the organization.

Helping Define Your Company's Success



Helping boards achieve excellence in critical aspects of governance that most ignore.

We can help you formulate a strategy that works:

- Defines the choices a company is making about who is and who is not a customer
- Doesn't serve as a rationalization for budgets
- Challenges assumptions
- Seeks to reduce risk, not avoid it
- Serves as a framework in which adjustments are expected and can be accommodated

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 or contact us.