Boards Should Be Front and Center in Strategy Development

Description

Directors typically spend little time considering strategy development and strategic alternatives, focusing instead on their more fundamental role of approving the strategic plans that are presented by the leadership team. However, directors are an incredible — and incredibly underutilized — resource in the strategy development process.

Leadership teams spend significant time, energy and resources developing strategic plans, often without benefiting from the experience and broad perspectives of directors in the elaboration of strategic alternatives. They instead prepare and present complete strategic plans to the board of directors for approval. In light of the increasing complexity of our world and the rapidly increasing rate of change, it is my view that directors must also be involved in the precursor of strategic planning: strategy development.

When strategy retreats are held, typically directors spend their time together assessing and discussing a compilation of strategic initiatives that the management team has already developed to a certain degree of completion. Discussions focus on the initiatives themselves, not the assumptions or alternatives that were considered. In the best cases, strategic initiatives are developed in line with the company’s clear mission and vision, and the action plans are developed coherently with the organization’s values.

The weak link in this approach is that it precludes the involvement of the directors in discussions about strategic choices. The options have been narrowed down before the presentation to the board. However, when it comes to developing strategy in extremely complex environments, it is essential to have multiple options.

The rationale for directors to be involved in the development of strategy is threefold:

**Directors bring the longest-term perspective on the company’s health.** Board members are collectively responsible for ensuring the survival of the company. This lens gives directors an ability to look beyond the operational and market concerns of the current moment to the strategic alternatives that could shape the future of the company. The directors’ ability to pursue continuing education
opportunities further solidifies their ability to contribute to the long-term view: attending forward-thinking director-level conferences, assessing emerging trends in courses and peer-led webinars, reading about topics that matter to other directors.

**Directors have diverse professional experience and personal backgrounds.** A board that is composed of people with different areas of expertise, from different industries, with personal backgrounds that reflect the client or stakeholder base is key to unlocking the full value of a true strategy development exercise. Each member can contribute in a different way to reflections on corporate strategy, identifying options that may not have been considered by the leadership team, whose background and focus is likely industry- and company-specific.

**Input on strategy development is an important part of directors’ fiduciary duty.** In fact, fiduciary duty cannot be exercised fully in the absence of discussions about strategic alternatives to strategic issues and opportunities. Seeing what might be coming next is the precursor to strategic planning. Identifying scenarios and discussing various approaches to complex and ambiguous emerging trends and deciding which course to pursue and which to pass on, is an essential part of fiduciary duty. Then, once strategic alternatives are discussed and choices are made, the leadership team can get on with developing a strategic plan for review and approval.

The involvement of directors in the development of strategy and strategic alternatives as a precursor to strategic planning can help the leaders break through inertia to pull ahead of their competitors or unlock strategic moves that redefine the playing field.

**Contributing to Strategy Development**

**Launch the strategic planning process with the board.** Directors must have the opportunity to pose their strategic questions to the leadership team so that they, in turn, can address and develop strategic alternatives for discussion and debate in the boardroom. The questions must be high-level for the conversation to be truly strategic. For example, asking, “Should we consider a merger with XYZ?” is not as high-level as “What are the avenues for our company’s growth in line with its vision?” The discussion would then ensue about alternatives such as merger, acquisition, partnership, organic growth or market expansion, which is much more strategic than the consideration of merging with a particular company.

**Look outside the box.** Directors can — and should — present strategic questions for consideration that reflect their expertise as well as a view from outside the company’s own ecosystem. These perspectives have the potential to unlock truly bold ideas for the leadership team. Strategic moves that have been successful in other industries can be highlighted by directors as part of a complete discussion about strategic options that are essential to a company’s growth.

**Take a structured approach.** Directors should take a structured approach that leaves no stone unturned. When working with directors, I propose six external areas of potential disruption and opportunity to their business:

- Technological
- Political
- Macroeconomic
- Sociodemographic
Environmental
Legal

This external assessment is complemented by an analysis of the variables internal to their business environment. Directors’ exposure outside the industry and perspectives from personal background combined with continuing education brings a collective intelligence around the boardroom table relative to each of these areas.

What’s Around the Corner

One of the contributions of directors — aside from governance and fiduciary responsibility — is looking around the corner to identify strategic alternatives, from which strategic direction can be debated. Discussions with the board at the onset of the strategic planning process add enormous value. From generating ideas to seizing emerging opportunities to offsetting emerging risk, the contributions of directors create optionality for a company’s strategic plan, potentially propelling it out of its status quo. In order to generate tremendous value, directors must be involved in strategic thinking discussions as a precursor to the development and approval of a strategic plan.

Date Created
November 7, 2023
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