4 Steps to Improve Strategy Discussions

One of the most important fiduciary responsibilities of any board is the oversight and approval of company strategy. NACD Public Governance Surveys continuously report that 9 out of 10 directors rate strategic planning and oversight the most important board issue. However, only 2 out of 10 of these same directors rate their board's performance on this issue highly effective. There is a large opportunity for many boards to improve their strategy oversight process.

Successful board oversight of strategy requires hard work, discipline and the active participation of all directors. It is a continuous process that closely links strategy to operational results, risk management and CEO succession planning.

4 Steps To Improve Your Strategy Discussions

1. Set Clear Expectations

Good boards devote one meeting per year to an in-depth discussion of the competitive environment and business strategy. Every board needs to define what questions they expect to be answered during this session. A good starting place is to ask your CEO to prepare a list of questions that they plan to address during the annual strategy discussion. Directors should review and comment on these questions to ensure they are focused, comprehensive and will meet the board's needs. The non-executive board chair or lead independent director should play an active role in making this an inclusive process and in structuring a prioritized discussion agenda.

2. Establish a Strategy Development and Review Process

Clear and succinct strategy presentation and background materials should be distributed to directors at least one week before the formal meeting to provide sufficient time to review and reflect on the strategy. The implicit assumption is that every director has read and digested the pre-board reading. If a director needs additional clarification on a topic, they should be encouraged to call their CEO prior to the board meeting.

Discussions during the board meeting should be focused on the planning assumptions and key strategic initiatives rather than a review of the material sent out as a pre-read.

Finally, at the conclusion of the discussion, there should be a summary of what the board has agreed to approve and what open issues remain with a plan and timetable to address these open issues.

3. Incorporate Strategic Discussion into Each Board Meeting

Discussing strategy and the competitive environment are all elements of the quarterly operation performance reviews your board conducts at each meeting. These reviews provide the opportunity to continuously evaluate planning assumptions upon which the strategy is based as well as the results of plan implementation. Hopefully, your CEO has provided you with a set of key performance indicators that track performance vs. plan. These are the mileposts to evaluate what is working, and if necessary, course correct. Remember the simple dictum: operational results track strategic effectiveness.

4. Link Strategy to Other Key Board Topics

During the year, your board will devote significant time to operational reviews, risk management and CEO succession planning. Each of these topics is driven by and based on the strategy your board has approved. It is difficult to effectively address these topics without having a clear strategy in place that is approved and supported by your board.

A Strong Foundation Is Required

Each of these steps is predicated on 3 foundational elements:

- Directors are educated about the company's business, competitors and technology.
- There is a clear set of assumptions that are constantly reviewed and updated.
- There is adequate time scheduled for director preparation, discussion and debate.

A vibrant and effective business strategy creates shareholder value. A poor strategy or one poorly executed can rapidly destroy shareholder value. Every director needs to actively participate in strategy oversight. Board meeting should always contain topics that continue the strategy discussion as a component of other board issues of operational results, risk management and management development and succession planning.