

# what is the board's role



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## Right thinking

The why, what and how of the board's role in strategy is a rich topic – without traversing the related area of how much time the board devotes to strategy.

Collaborative work on strategy between boards and executive teams improves relationships and in our experience delivers better results. Where possible, we recommend that clients adopt a collaborative approach to strategy involving both directors and members of the executive team as equals.

'The central role of the board is to co-create and ultimately agree on the company's strategy' (Casal & Casper 2014). We all know that of course, but aspects of the why, what and how of board engagement in strategy are still contested in theory and practice.

Through engaging with boards and executive teams on strategy development, strategic planning, strategy implementation and strategy monitoring and review, every week for nearly 20 years, our firm has developed a view about the **why, what and how** of board engagement in strategy, which we will outline in this article.

### The 'why' of board engagement

The why should be clear enough, although there is a surprisingly modest literature on the subject. With respect to strategy, boards extend strategic discussions, by, for example, contributing external perspectives and a diversity of expertise and experience. In these

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and other ways, they also diminish the risks inherent in the work of strategy.

## The 'what' of board engagement

There is a wealth of scholarly literature and business research on the what of board engagement in strategy. Cossin and Metayer (2014) describe three roles that the board should play. These are:

- **Supervisor:** supervising strategy development, design and implementation, monitoring corporate performance, probing and sensing underlying conditions, and identifying risks and strategic inconsistencies that could threaten the business
- **Creator:** directly contributing to the strategy of the company with a broader perspective than that of management, including bringing experience beyond the industry, understanding stakeholder perspectives, that can avoid cultural blind spots
- **Supporter:** lending the strategy credibility and authority (or, in some cases, withholding support to pressure management) and garnering support both within and outside the organisation.

These seem sensible, although it is worth noting that not everyone agrees on them and that there may still be considerable overlap between these and the responsibilities of executive teams. This lack of role clarity between boards and executive teams highlights the importance of the how of board engagement in strategy, to which we will return later.

A global survey of directors (McKinsey & Company 2006) suggested that a board could: help develop the strategy's content; identify key strategic issues; challenge an emerging strategy; approve the final strategy; and monitor performance against strategy (different directors reported doing different combinations of these activities).

We typically use a list like this in helping our clients navigate the board's role. We advise chairs and CEOs to have their organisations' boards involved at a number of points in the strategy development process: at the start, to set expectations, suggest themes and push the executive team's thinking; mid-way through, to work on goal setting and initiative prioritisation (an important aspect of the how of board engagement, described later); at the end to endorse the strategy, subject to any changes, and oversee how the strategy is reflected in

the organisation's planning, resource allocation and budgeting. Then on a regular basis afterwards, typically quarterly, they should monitor and review performance against the strategy.

## The 'how' of board engagement

The how of board engagement in strategy is more difficult to define. Right Lane and others (for example, Bosch 2002) have suggested that there have been different eras of board responsibility for strategy:

- executive driven – management recommended and board endorsed in the 1980s
- board owned – corporate excesses in the 1980s led to board control in the 1990s
- collaborative – boards and executive teams collaborating to develop and set the strategy.

It has not always been that linear – the board's role in strategy has evolved in different ways over different time horizons. For our clients in superannuation, the first two eras were reversed. With small staffs in the 1980s and 1990s, directors took the lead on strategy; but as trustee offices grew in the 2000s, executive teams began to assert their role.

Still, we do believe that we are in an era of collaboration between boards and executive teams when it comes to strategy. We need to be less concerned about the mutual exclusivity of their roles – creating roles for these groups that intersect like pieces in a puzzle – and more concerned about getting the most from board involvement in strategy. Where

executive teams and boards play binary roles – for example, executive teams create and boards endorse – directors can be left to feel like they are having something done to them.

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Where possible, we recommend that clients adopt a collaborative approach to strategy involving both directors and members of the executive team as equals. But by the time they ask for our help, some clients are either too far along with their strategies to foster co-development, or they are not used to it and prefer a more formal approach.

There is no one-size-fits-all approach to achieving this collaboration. It will depend on the organisational context, which includes the maturity of the organisation and experience of the management team, industry complexity and market dynamics, and the skill set of the board. For inexperienced management teams in complex industries it will be more important for boards to play a more hands on role in strategy.

At one client, there was some awkwardness between the board and executive team on key strategic issues regarding the organisation's future role and where it should focus its efforts. We ran a strategy offsite with the full board and executive and had them work on these topics together. In one session, participants worked in groups on goal setting and initiative prioritisation, thinking through whether management's proposed initiatives would meet the goals that had been set, ascribing higher priority to some initiatives and deprioritising others.

At another client, we used a method derived from the assessment of PhD theses to gain the board's input to the emerging strategy proposed by management. The executive put to the board as set of propositions and the board was then able to assess them based on criteria similar to PhD examiners: endorsed with no change; endorsed subject to changes agreed by the board; do further work as specified and revert to the board for a decision; or dismissed. This helped to focus discussion between board and management and enabled the board to play key roles in strategy – to push the executive team's thinking, provide input on initiatives and ultimately endorse the strategy, subject to agreed changes.

These collaborative approaches were productive in that they improved upon management's work; but they also gave directors (and senior executives) a strong sense of process satisfaction. In the previously mentioned survey (McKinsey & Company 2006), directors who were satisfied with their company's approach to strategic planning were twice as likely as dissatisfied respondents to say their boards help develop strategy.

The why, what and how of the board's role in strategy is a rich topic – without traversing the related area of how much time the board devotes to strategy. Collaborative work on strategy between boards and executive teams improves relationships and in our experience delivers better results. As one director recently put it:

**'I think (it's) the best strategy offsite I've been to, because it was the first time we've really worked together with management on the strategy.'**

#### References

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**want to know more?**

If you would like Right Lane to help you work out how best your board can be involved in strategy contact **Debbie Williams:**  
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We are an ethical consulting firm with a strong belief in the work we do, and with a passion to give back to the broader community with the skills and expertise available within our walls.

Right Lane was established in 1997 to help private, not for profit and public sector clients to clarify and accelerate their future plans. Over the past 17 years, we have helped the executive teams and boards of more than 100 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

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- Developing and managing strategy and planning processes for clients
- Leading strategic growth projects, such as pre-merger analysis, pricing, new product feasibility, marketing expenditure effectiveness and growth options evaluation
- Implementing strategy through aligning and engaging the organisation, and measuring and monitoring performance
- Assisting clients with governance projects – from board culture and capabilities to board appraisals and reviews

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