PRIVATE DIRECTORS ASSOCIATION

Creating Value Through Board Excellence

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Board Strategic Planning Considerations

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Over the last 30 years, there have been a variety of approaches to strategy, strategic planning, risk assessment, and renewal. These approaches range from simple to complex. As the practice of strategic planning has evolved, one thing is clear:

> *Organizations must choose the framework or approach most appropriate for their current situation and vision.*

The planning process that an organization or company adopts is typically a blend of several different approaches that have evolved over time.

While we define strategy as the overall umbrella process, boards need to oversee the key components. Strategic planning is the process most executives think of as the "key" process for developing strategy. Clearly, strategic planning adds discipline. However, the corporate strategy evolves overtime, with or without a coherent planning process.

If every company or organization were the same and faced the same competitive environment, there might be one universal planning approach. Unfortunately, the one-size-fits-all approach does not work in the world of strategic planning frameworks. Organizations differ on critical dimensions such as size, profitability, industry competitive environment, competitive threats, geographic scope, cyclicality, volatility risk, growth rate, and life cycle. Additionally, the levels of experience and talent, held by management and the board, are important factors to consider in choosing the right strategic approach. Fashion and fad also enter the selection process. Selecting the right process is a bit like choosing a new suit or dress. Do we stick with what was comfortable in the past, or try something new and perhaps better?

The CEO and the board must decide how they will approach oversight of the strategic processes. On the road, the driver (CEO) can pull over, stop the car, and lay out the entire game plan for everyone, from directors down through the employee ranks. During this rest stop, the CEO can describe where he or she hopes to take the organization, provide a preliminary map for getting there, detail the process for arriving at the destination and improving the road map, and specify what everyone must do to help achieve the vision. The wise driver will encourage involvement and ask whether everyone agrees. Does anyone have a different view of how to best interpret the environment, compose the map, and develop the best strategy to achieve the vision based upon what is known about the road ahead? If there is disagreement, the driver will listen to members of his or her management team, employees, and directors. Their experience might shed a different light on how to create the best map, how to better understand the external environment, and how to explore alternative methods of dealing with the surprises on the road ahead. A CEO who fails to listen to members of the team will find that unheard employees may attempt to sabotage the plan. At the same time, the CEO must constantly weigh the value of all of the inputs from the team.

In real-life business, the organization must continue to operate while the plan is developed and communicated. Mechanisms such as the one-day to one-week management retreat are often used to build ownership in the plan. These checkpoints allow directors to exercise oversight with a minimum expenditure of time and the least disruption to management's day-today activities. In pursuing their oversight, directors must satisfy themselves that the chosen planning approach and strategy are appropriate for each key business unit of the company.

BOARD AGENDA ITEMS

How should we evaluate whether management has used the right "blend" of planning tools and approaches?

How do we ensure that management is using the framework most appropriate for the company?

If results are not creating value, how do we encourage changing the framework, getting outside help, or changing management?

How do we oversee establishing appropriate targets or hurdle rates for each business unit?

Do we ask effective questions, such as:

- Do we have the right planning process for each of our businesses? How do we know?
- What approaches to planning did the business unit use in the past?
- Are the strategies realistic and easy to communicate? Why?

Should management hire a consultant or facilitator to upgrade the strategic thinking in the organization? When?

How does management find the best "blend" of hard and soft strategy techniques?

When shall the board conduct a strategy review? How much time is needed?

Does the management group buy into our current approach to planning? Why or why not?

How will we know when it is time to add a new element to the planning process?

INVOLVE THOSE WHO WILL BE ACCOUNTABLE

The board should ensure that the people accountable for implementing the strategy are those that developed, presented, and believe in the strategy. Motivated people who believe in the plan are the key output of any successful strategy process. The planning and risk assessment processes must be blended to meet the unique strategic needs and capabilities of the organization.

Adapted from Chapter 2 Board Perspective Series: Building Value through Strategy, Risk Assessment, and Renewal, by William Hass and Shep Pryor.

Upcoming Events

Board Evolution and Succession Insights from Major Mid-Market Companies

November 17, 2015

5:30 PM to 7:30 PM

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135 S LaSalle Street
43rd Floor
Chicago, IL 60661

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