



Achieving radical and sustainable improvement in top line performance

The Strategy Trap & the Role of the Board



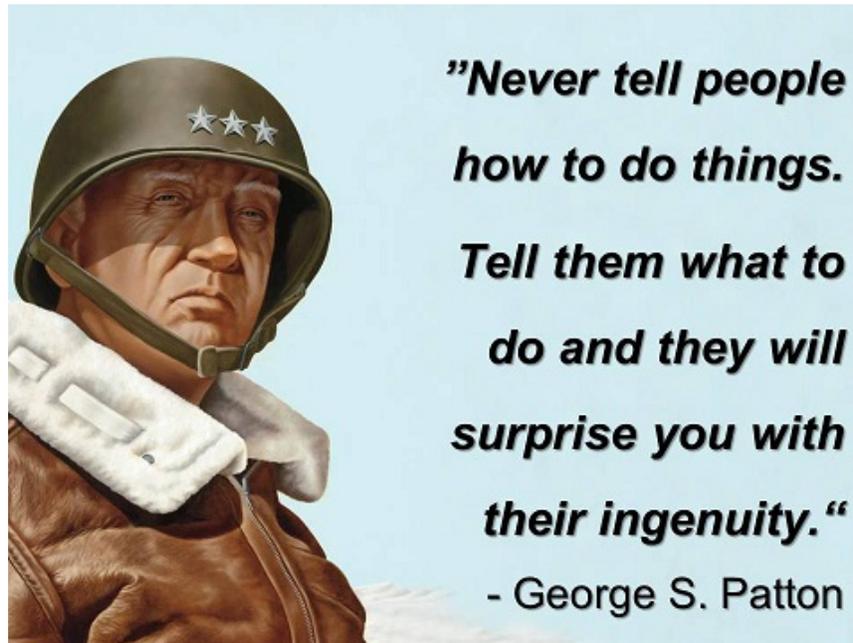
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The Situation:

Board of Director's are like the proverbial 500lb. gorilla, they get to decide where they want to play and spend their time in every aspect of the firm's business. This is especially true when it comes to the development of the organization's strategic plan. Which brings us to the \$64K question...."Whose job is it to develop the strategic plan, the Board or the management team?" Our experience with hundreds of clients shows that more than 90% of them, whether public or private, have the management senior leadership team develop the organization's strategy with the Board providing advisory support. It is important to note that the level of Board

involvement can vary widely across organizations, depending on the stability of both management and the environment in which the business operates. For example, the BoD may be more involved in working with management on strategy during a crisis or change in leadership. Essentially, the Board should bring technical and industry experience, business relationships and thought leadership to the discussion and an independent viewpoint to help the team determine its strategic direction and likelihood of success.

In light of the above we have developed a proven approach to engaging the Board before, during and after the preparation of the organization's strategic plan.



Before Planning Starts:

Capturing the Board's expectations of the planning team before the start of the planning process is essential to the ultimate alignment and approval of the plan by the Board. We conduct a Stakeholder Analysis with stakeholders defined as the Board of Directors and/or major investors. We recommend one on one interviews with each stakeholder and ask a very simple question, "How do you define success for the organization, short term (next 4 quarters) and medium term (8 quarters)?" Based on frequency of mention, the results are tabulated and are used to kickoff the planning process ensuring that there is no misunderstanding of the Board's intentions. Clients have told us that this is an enormously valuable step and without it the likelihood of alignment between the planning team's idea of success compared with the Board's is akin to 2 ships passing in the night.

During the Planning Process:

Documenting and referring to the Stakeholder Analysis summary during the planning process helps to keep the planning team on track, eliminating major surprises and disconnects. The Stakeholder Analysis will act as a check and balance on the outer limits of creative thinking, hopefully avoiding "Where did that crazy idea come from?" Remember asking a Board member for their input implies that you have not only listened but also will acknowledge and reflect their expectations in your strategic thinking.



After the Planning Process:

We have found that the most effective way to communicate the strategic plan to the BoD is to have it presented by select members of the planning team to demonstrate unified commitment for the recommendations. Because much of the effectiveness of the strategy lies in its implementation, when reviewing the plan, Boards will typically focus much of their attention on execution, hence the planning team must be prepared to answer these critical questions:

1. Does the organization have adequate financial and human capital needed to execute the strategy?
2. Is the organization positioned and organized to effectively implement the plan?
3. Is the plan sufficiently specific to enable management to implement and the Board to monitor that implementation?
4. Is the current leadership team fully committed to, and capable of, successful implementation?

Once the planning team has the green light, effective Boards use the strategic plan as a road map and discuss strategic objectives at every Board meeting. It is critical for the BoD and management to work together on the level of detail and the specifics related to strategy execution for each Board meeting. The idea is to enable the Board to continually provide advice and be knowledgeable about efficient tactical execution to make the strategy happen.

Next Steps:

Engaging the Board in the strategic planning process is more than a basic need, it is the key to growing and maintaining an effective relationship with the planning team. Good Board's continually strive to add value to the organization. And an active role in understanding the strategic planning process and continuous monitoring of planned execution is perhaps the most effective way for a Board to guide an organization to improve performance.

If you have any questions about the planning process at your organization and your Board of Directors, please send us an e-mail at kappainfo@kappaeast.com.

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