The Savvy Director™

Guide to Strategic Planning

It's important for an organization to have clear goals. Goals are where the organization wants to end up, but it needs a strategy to get there. If the goal is the destination, then its strategy is the travel plan.

When faced with a fork in the road, a travel plan answers the question *Which road should we take?* And it answers many other questions too, such as *Which routes will we avoid? What vehicle will we use? How fast will we travel? Who will navigate? Who will be along for the ride?* and *How much will we spend?*

So, if strategy is like a travel plan, it must answer all sorts of important questions about the organization's future.

Why does strategy matter?

At its core, an organization's strategy is about choices. Choices about what the organization is going to do. And just as importantly, what it is not going to do. When these choices are well thought out and articulated, then a clear strategic direction emerges.

And that clear strategic direction, communicated widely, can create alignment throughout the organization. Future decision-making, while rarely simple, will benefit from the guidelines provided by a clear strategy.

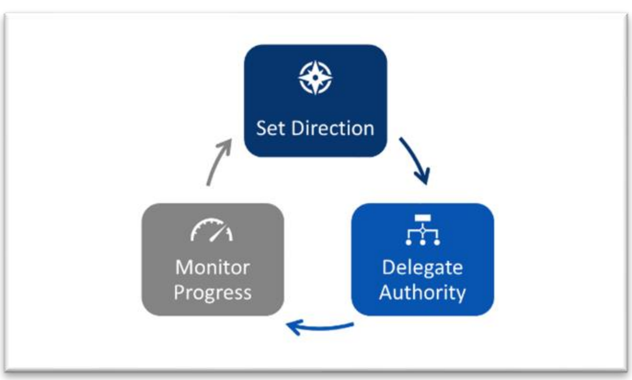
To return to the travel analogy for a moment, what kinds of question does a strategy answer?

In '*A Playbook for Strategy: The Five Essential Questions at the Heart of Any Winning Strategy,*' A.G. Lafley, Roger Martin and Jennifer Riel write that strategy entails answering these five questions:

1. **What is your winning aspiration?** This is usually defined in the company's mission and vision statements. To be useful for strategic purposes, these need to be clear, memorable and compelling.
2. **Where will you play?** What field will the organization operate in? What needs will it address? What customers or clients will it serve? How broad or narrow will be its approach?
3. **How will you win?** What methods will the organization use? How will it create value? What brand reputation will it build?
4. **What capabilities must be in place?** What does the organization need to be really good at?
5. **What management systems are required?** What processes, structures and measures have to be in place to make this plan work?

The board's role in strategy

The board's key responsibilities are to set direction, delegate authority, and monitor progress. But what does *set direction* really mean? What does the board actually do when it comes to formulating strategy?



In medium to large organizations, management usually assesses the environment, analyzes options, and develops the plan. The board's involvement in the planning process is often limited to providing input at the beginning, reviewing updates as the work progresses, and approving the plan at the end. In smaller companies, the board may be much more actively involved, taking a hands-on role at workshops to develop the plan.

Whether or not the board is actively involved, directors must understand the strategy well enough to challenge assumptions, assess the risks, offer advice, influence direction, and be confident that the plan is sound. The board will want to know how the organization's budget aligns with the plan and whether the organization has the capacity – both financial and human — to execute the proposed strategy.

The board's role in strategy includes providing oversight of the plan's execution. and monitoring progress against the goals established in the strategic plan.

Developing the strategic plan

These days, it's pretty common for organizations to turn to a consultant to help them with their strategic planning. The organization may lack the available resources, or the expertise, to do it themselves. Consultants usually bring along a preferred methodology and process. Sometimes they have developed their own proprietary method. They set the stage for the board and management to engage.

The organization needs to ensure that the consultants' approach fits with its values, that they possess a deep understanding of the context it operates in, and that they will follow a process that meets stakeholder expectations.

There are a number of successful method-ologies out there. While the terminology may vary, most incorporate some or all of the following steps:

Analyzing the current state.

- Completing an environmental scan of current developments and emerging trends that affect the organization, including environmental, social and governance (ESG) issues as well as technological, economic, and political factors.
- Performing an analysis that looks at the organization's strengths and weaknesses and the external opportunities and threats.
- Gathering stakeholder input through interviews, surveys, focus groups and work shops.

Defining the desired future state.

- Articulating a mission (or core purpose), vision and values (re-affirming the current ones, revising them, or creating new ones.)
- Defining strategic goals that are overarching and long-term in nature.

Developing the plan.

- Organizing the plan into strategic themes or "buckets" that are aligned with the desired future state.
- Defining objectives within each theme — steps that are precise, measurable, and time-phased and that support the achievement of the strategic goals.
- Identifying the critical success factors – the things that must go right – if the goals are to be achieved. This step will help establish leading indicators that can be tracked.
- Breaking the plan into strategic initiatives that allow the work to be organized into manageable projects.

Determining how the plan will be monitored and measured.

- Developing Key Performance Indicators (KPIs) that measure performance in critical areas and show progress toward realizing the strategic plan.
- Deciding on the frequency of management reports that will allow the board to monitor the plan.

Your takeaways:

- Strategy involves the organization's choices about what to do and what not to do.
- Clear strategic direction can create alignment throughout the organization.
- The board oversees the planning process and approves the strategic plan that emerges.
- The board's long-term view provides valuable perspective to strategic planning.
- New strategies are accompanied by new risks for the board to consider.
- The board should expect regular management reports about progress on the execution of the plan.

This last step often does not occur until after the board has reviewed and approved the new strategic plan. Since it is critical to the board's ability to monitor the plan's execution, directors should not be satisfied until it is completed.

This step closes the *Set Direction – Delegate Authority – Monitor Progress* loop, ensuring that the board's role in strategy is a continuous process, not a "one and done" effort.

What to keep in mind

To fulfill its role in setting strategic direction, the board needs to exercise foresight. In this work, management needs directors' long-term perspective to offset the short-term operational pressures on them. The board needs to think about opportunities, risks and possible scenarios.

The board needs to think about the plan's duration. Most strategic plans run from three to five years, but there is nothing magic about those numbers. The planning period needs to fit the business. In these days of rapid change, the trend is towards shorter planning periods.

The board also needs to stay alert to changes in the environment that could make the plan out-dated or obsolete. In a highly dynamic environment, plans can easily lose their relevance before they are set to expire. These days they could become outdated in the period between the writing of the plan and the board's approval.

Strategy and risk are closely intertwined. The board needs to think about these two focus areas holistically. A new strategy invariably brings new risks – What are they? Are they within the board's risk tolerance? How will they be managed?

One risk the board needs to keep in mind is that of management capabilities. Are the skills of the CEO and the management team a good match for the new strategy? Or is there a gap that will have to be closed?

Another risk is inadequate funding. The board needs to ensure that the organization's budgets are aligned with its strategic initiatives.

And finally, the board needs to think about its own composition. It needs to ask itself *Do we have the skills we need around the board table to support the CEO in executing the new plan?*

The individual's role

Boards are always looking for directors who are strategic thinkers.

As a director, make sure that a great deal of your time and energy is focused on strategy and its execution. Ask questions about big picture trends and emerging threats. Consider how to position the organization for success going forward. Think about the strategic initiatives – do they align with each other or are they all over the map?

Suggest that the board keeps strategic items at the top of every board meeting agenda. This helps ensure that the strategic plan doesn't sit forgotten on a shelf somewhere. Keep it alive by holding management accountable. The best way to do that is by asking questions.

Resources:

- Harvard Business Review. The Board's Role in Strategy
- BoardEffect. The Role of the Board of Directors in Strategic Management
- CPA. Overseeing Strategy: A Framework for Boards of Directors
- CPA. 20 Questions Directors Should Ask About Strategy

This guide is adapted from The Savvy Director blog A Fork in the Road – The Director's Role in Strategy posted June 21, 2020.