

Board's Role in Corporate Strategy

Corporate strategy is a dynamic topic influenced by many internal and external factors. On March 14th, NACD Chicago members and guests were fortunate to have a team of experienced leaders who shared their insights on the board's role in corporate strategy. The panel was skillfully moderated by Julie Marcello, Managing Director and Head of Marsh Chicago, a global leader in insurance brokering and risk management.

Panel participants included:

- Mark Chong, senior vice president of strategy and marketing at CDW
- Paul Williams, seasoned public company director, a former Fortune 20 C-suite executive and current President of NACD Chicago
- Ann Ziegler, experienced public and private company director and board chair, former CFO of CDW

First to level set the discussion, the panel defined corporate strategy as the art of allocating resources to achieve the best results. Importantly, they agreed that strategy is not linear, but an iterative process, and one that must be evaluated not on an absolute basis, but relative to the other available options.

A hearty discussion of who owns strategy and what the board has to offer then ensued. The panelists agreed that strategy is jointly owned by the Board of Directors and the CEO, but the line of shared responsibilities can vary from board to board depending on where the company is in its lifecycle and what is going on in the marketplace (i.e. the recession resulted in CDW reassessing its strategy). The panel also acknowledged that for private companies, particularly those owned by private equity, the board is likely to be much more "hands-on" than in a public company. The panelists had different perspectives on what a board offers regarding developing a strategy, but they generally agreed that the board should provide feedback and advice on a strategy. The panel discussed how outside factors, such as an activist investor, can impact and shape a strategy, and can trigger greater board involvement. Industry disruption most certainly calls for a reevaluation of strategy and greater involvement from the board, given the broader perspective of board members.

The panel also assessed the timeframe for a strategic review, and all agreed that companies can no longer rest content with five-year, or even three-

year, plans. Technological innovation and the potential for disruption drive the need for much shorter timeframes in reevaluating a strategy. One panelist believes strategy and execution overlap as situations continually change and that strategy should be on the agenda at every board meeting in addition to an annual strategic retreat.

What impact does this have on the board? Directors today are being challenged to be more educated on a company's industry than they were in the past. They must keep current by reading and attending relevant forums. A panelist shared that one of his boards pairs each board member with a member of the management team and they meet one-on-one to dive deeper into the business, and the pairings rotate each quarter.

A key takeaway of the board's role in strategy was a unanimous "it depends." One panelist drew the analogy to parenting--sometimes you must provide lots of parental direction and at other times you can let your children have their independence. Another panelist believes the use of emotional intelligence is a critical skill in communicating with management and within the board room when it comes to strategy. And finally, our last panelist suggested that there is no formula on how to be an effective director when it relates to strategy other than you must be adaptable.