



Engaging With Strategy after the Financial Crisis

Posted by Jeffrey Stein, King & Spalding LLP, on Sunday September 11, 2011

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Oversight of corporate strategy has become an increasingly important board function in recent years, and boards are seeking ways to become more effective and spend additional time on strategy. Increasingly, corporate strategy is focusing on opportunities arising from globalization, which requires that boards also address the risks that arise from global operations. To be effective in overseeing global strategy, boards must focus on their own composition and directors' experiences, and also draw effectively on management and experts outside their companies. Lead directors have a special responsibility for strategic oversight and can help their boards make greater contributions in this area.

Against this background, the Lead Director Network (the "LDN"), a group of lead directors, presiding directors and non-executive chairmen from many of America's leading companies, met on July 13, 2011 to discuss how boards engage with strategy in this global environment. Following this meeting, King & Spalding and Tapestry Networks have published a *ViewPoints* report [here](#) to present highlights of the discussion that occurred at the meeting and to stimulate further consideration of these subjects.

The following provides highlights from the meeting, as described in the *ViewPoints* report.

1. The board's role in corporate strategy

Directors agreed that the first step in effectively overseeing strategy is defining what is meant by the term "strategy." The most succinct and comprehensive definition of strategy offered by a member was that "strategy is answering the question 'how are we going to beat the competition sustainably?'"

Directors believe that oversight of corporate strategy is a critical board function and they report that they would like to increase the amount of time that they spend on strategy. Still, finding more

time for strategy can be a challenge given a board's other activities. LDN members report that they are spending less time listening to management presentations and more time actively engaged in board dialogue, as well as less time reviewing past operating reports and more time discussing anticipated future events.

2. International opportunities

Recognizing that overseas markets will be among the biggest drivers of future growth and have a critical role in corporate strategy, directors discussed the following:

- **Risks related to globalization:** LDN members are concerned with the growing number of risks related to globalization. Directors discussed the risks associated with political instability, bribery and corruption, intellectual property infringement, the timing of product development, disaster recovery and the availability of scarce resources.
- **Strategies that capitalize on foreign growth:** Directors cited the importance of having strategies that effectively capitalize on foreign growth. Population growth and movement, regional differences in aging and the burgeoning global middle class are trends that LDN members believe are affecting strategy as companies search for growth opportunities.

3. Improving strategic oversight of international opportunities

LDN members suggested the following ways boards can strengthen the foundation from which they engage in the development of global strategies:

- **Ensure directors understand the business and strategy:** Members reported conducting “deep dives” into relevant subjects to facilitate the board's understanding of a company's strategy. While management is the primary source of information, LDN members also cite outside experts and fellow directors as valuable sources of expertise in this type of review.
- **Deepen experience with international markets:** Directors found tremendous value in traveling to important foreign markets. LDN members recommended convening board meetings overseas as a way for directors to gain further familiarity with global markets. If traveling overseas is not feasible, directors recommended inviting key managers to attend board meetings when appropriate.
- **Recruiting experienced directors:** LDN members recommended recruiting directors who are experts on particular markets or issues, such as foreign affairs, intellectual property or trade. However, due to the relative scarcity of available board seats,

members noted that maintaining the right board composition can be “a three dimensional chess game” that requires many different skill sets and backgrounds for balance.

4. The lead director’s unique role in strategy

LDN members noted that lead directors have a special responsibility for strategic oversight and described the following ways in which these directors can fulfill this responsibility:

- **Ensure agendas focus on truly strategic issues:** Ensuring that the board’s time is used efficiently and keeping the board’s attention at the right level are critical to the board’s oversight of strategy. Lead directors can promote these objectives through their involvement in agenda setting.
- **Orchestrate when and how to discuss the company’s strategic plan:** LDN members suggested that extra care and attention should be spent on orchestrating productive conversations concerning the development and evaluation of the strategic plan. The lead director should help pace the board’s consideration of strategy as it evolves and contextualize discussions among management and the board.
- **Engender a culture of robust discussion and debate:** Lead directors have a unique responsibility to engender a culture of robust discussion and debate and should encourage active and skeptical questioning. LDN members suggested that careful use of executive sessions can help create an appropriately inquisitive culture.
- **Communicate the necessary messages to management:** Lead directors are responsible for communicating the views of the independent directors to the chief executive officer. Because unanimity is not always possible, lead directors should seek to surface dissent and move the board towards consensus.

Additional information regarding the Lead Director Network may be found on the websites of [Tapestry Networks](#) and [King & Spalding](#).