Exceptional Boards

They point in the right direction.

by Punit Renjen

ExcepTional organizaTions know where they’re going; of course, getting there takes teamwork. Management is ultimately responsible for strategy and execution, but boards play eight vital roles: 1) steward of the enterprise; 2) model of values and core beliefs; 3) guardian of strong governance; 4) strategist; 5) risk and scenario planner; 6) public face and market maker; 7) custodian of capital markets; and 8) global advocate.

Two of those roles—strategist and risk and scenario planner—point organizations in the right direction, on the way to their ultimate destination. By playing these two roles, boards provide important counsel during strategy formulation, rollout, and ongoing adaptation to market developments.

In the strategist role, the vital skills for the board are: ask, listen, assess. Boards help define and champion an organization’s identity. Since boards are not tasked with daily operations, they can focus on the long-term and broad-based implications of actions proposed by management. This perspective is central to the board’s role as strategist. Boards help management develop and refine strategy. Chairmen and directors serve management as a sounding board and advisor (ask, listen, reassess). Boards engage in dialogue with management to confirm that strategy aligns with the vision, mission, and core values. These constants reflecting who we are as a business must underpin any determination about where we are going. While organizations periodically refresh and adapt their strategies, exceptional organizations develop strategies consistent with an enduring organizational genome.

As skilled strategists, boards can leverage their non-operational vantage point to help management examine complex issues. For example, in asking, listening, and assessing, boards can evaluate management’s strategy for key outcomes—such as the impact that short-term decisions can have on long-term concerns as employee trust, recruiting, and retention.

Another critical dimension for boards to take into account is time. Mindful of current and future demands, boards help ensure that near-, short-, and long-term strategies converge seamlessly to map the best course. By stepping back to gain a broader perspective, boards can bring strategy into high definition.

Today, for example, boards can help management examine the triggers that might propel the organization and its marketplace beyond the new normal. Boards also can explore for promising adjacencies to their current core businesses. Or, boards can help management prospect for new white spaces where green shoots can take root and change the course of the enterprise.

Since strategy lives in the moment with an eye toward the future, flexibility is key. An adaptable strategy can mean the difference between an enterprise being temporarily detoured or permanently derailed. The board helps management refine strategy by considering alternative paths that can meet the demands of short- and long-term trends.

As risk manager and scenario planner, the vital skills for the board are: imagine and anticipate. Effective risk management and scenario planning enable an enterprise to quickly adapt its strategy to changing conditions. Better still, they can move an organization from merely reacting to the far more assertive posture of initiating and driving. Taking bold but prudent risks by activating a scenario from your playbook may result in first-mover benefits—leaving competitors with the daunting task of keeping up with you.

While these operations also are owned by management, boards play a critical role by imagining and anticipating the unknown. Through oversight and input, boards identify potential roadblocks and evaluate their impact. If necessary, boards can serve as a GPS that says, recalculating, in a calm yet firm voice—followed by suggestions for a new path. Boards also look beyond the horizon to anticipate emerging threats and opportunities that may drive course corrections. Or, boards can advise taking the business off road to test various scenarios under controlled conditions—and propose options that save time, improve productivity, and yield competitive advantage.

Determining where to go in good times is easy—the stakes rise exponentially when times are tough. That’s when a board’s ability to point an organization in the right direction is of greatest value to management and stakeholders.

For example, when I was a senior leader with Deloitte Consulting LLP, our board and senior executives heard rumbles about the deteriorating financial condition of another professional services firm—and the potential for certain of its assets to be sold. The board and C-suite began planning, resulting in a successful bid and purchase of a portion of our competitor’s practice, immediately tripling our scale and catapulting Deloitte into a position as one of the premier providers in that marketplace. Looking back, we considered our actions to be risk intelligent—referring to a prerequisite for informed decision-making. Boards that scan the horizon or imagine the unimaginable can better recognize emerging issues and the potential risks and rewards they carry. Anticipation can mean developing a playbook of responses through calm and careful deliberation or reacting hurriedly in a crisis.

Culture and strategy are key assets. Intangibles such as core beliefs, values, and corporate identity comprise one side of the ledger. Tangibles such as strategy and risk and scenario planning comprise the other. Through oversight and input, boards play a vital role in determining where both sides of the ledger meet. Gandhi once said: “A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history.” He could have been talking about a board’s ability to point an organization on a path of enduring good.

By acting as a small body of determined spirits, with an unquenchable faith in their mission, boards can better serve others. By playing their role as strategists and risk and scenario planners, boards can assist management in mapping a firm’s ultimate destination.


ACTION: Create an exceptional board.