

# AGENDA

## Pushing Strategy Ahead of the Other Stuff

Boards actually can make time for the important issues

By **Tony Chapelle** | October 7, 2019

In private conversations, many board members confide that they're frustrated that they often run short of time in board meetings without adequately discussing strategy. They say those conversations get short shrift while they spend time making sure their managers are compliant with regulations and are managing risks.

Indeed, three years ago, **McKinsey**, the management consulting firm, found that 52% of board directors surveyed said they wanted to spend more time on strategy. The topic of strategy was tied for first place with managing talent and succession, in terms of preferred time allotment.

How do some boards arrange their agendas to get it all in? Directors and consultants say that by making strategy a priority, managing time more intelligently and getting the full board and all committees to dissect strategy from their different perspectives, boards can stimulate richer strategy discussions that boost long-term value.

But, of course, it all comes down to time.

**Russell Reynolds Associates**, the executive search firm, found that most boards — whether they're average or highly effective — top out at 240 hours per year on board-related work. The high-performing ones, however, use more of that time to dig into strategic assessment and planning. Meanwhile, they delegate mundane duties to appropriate committees.

Indeed, some organizations say they can help boards better allocate their time.

For instance, Boston-based nonprofit **FCLTGlobal**, which produces research and tools for long-term investing, has an **interactive tool** that can help boards assess how they currently spend their time. Developed in conjunction with a behavioral economics program at the **University of Toronto**, the digital dashboard assesses how they divide their full board meetings and compares that against industry peers.

According to **Stanislav Shekshnia**, a professor at the **Insead** business school who surveyed 200 board chairs and interviewed 60 board members in 31 countries, highly effective board chairmen keep a tight leash on the board agenda by restricting it to six or fewer items. The type of item is important too. Shekshnia wrote in a *Harvard Business Review* article in March of 2018 that the topics can only be “strategic, material, ripe for decision, and something only the board can handle.”

### Strategy Should be a Time Bully

The best boards prioritize their precious meeting agendas to focus on their key corporate strategies. **David Binkley**, a former chief human resources officer at **Whirlpool**, says forward-looking boards separate those items from “other topics you could get lost in.”

Binkley says committees — rather than the full board — should be able to grapple with important discussions on performance and operations, regulations or financials if they have clear committee charters. Directors can touch on these topics at the beginning of the full board meeting, but then they should be sent down to the committees. Later, they can be reported out using committee minutes. “Try to [do] the work ... in the committees that they’re there for,” Binkley stresses.

For instance, he says, in the opening discussion, the full board doesn’t need longer than an hour to hear about financials “if that’s done with the right level of detail” and brevity.

**James D. White**, the former chairman and CEO of **Jamba, Inc.**, and a director at **Adtalem Global Education** (formerly known as DeVry), writes in an e-mail that the best boards structure the agenda to focus on “key discussions that shape and refine the execution of strategic imperatives.”

Digging into more specifics, White explains that every board meeting should both start and finish with executive sessions that include the CEO. These talks must let directors drill into the firm’s current strategic priorities to understand context. Over the course of the year, each meeting should focus on a separate but critical element of the strategy and how that’s being operationalized.

White also advises setting up one or two working sessions with senior managers and external advisors to take on the company’s three- to five-year strategy.

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“You have to be careful not to [schedule] a lot of items at the beginning of meetings for information that may take up too much time,” says **Ryan Resch**, a managing director in the executive compensation practice at consulting firm **Willis Towers Watson**. So, prioritize the important discussions first, and the review of discussion items at the back.

Resch observes that while the board has to hear committee reports on a litany of subjects, some of those, such as compliance, don’t require “a fulsome discussion” or to be reviewed in detail.

Binkley says that few boards should be so bogged down in regulations, compliance and operations that they can’t get to strategy. “Were the items in their agenda so monumental, or was it appropriate for that committee to have worked on it?” he asks. “I’d want to see what they’re working on in their agendas. And I’d look at the committee charters so as to see if the charters are broad enough, and then ask, ‘Where are you spending all of your time?’ If you have standard committee structure, and they’re carrying out their responsibility and reporting out, that’s usually very efficient, assuming no major issues in the organization.”

The time of year could also give a board an opening in which to fit more strategic planning.

Resch says that right after proxy season, which is generally summer, boards tend to focus meetings more intently on “blue-sky issues” and less on compliance, since much of that was put to bed for the year in the recent corporate proxy statement. These meetings, therefore, lend themselves to strategic discussion. Still, Resch says, a board may want to intentionally structure its schedule so the strategic items get looked at first.

White puts it this way: “[A]dd process and disciplines to dispatch of the routine compliance areas to create capacity for the strategic conversations.”

Directors are well aware that the part-time job of board service has grown to a nearly full-time commitment. The tumultuous effects of technological change, shifts in demographics and unforeseen disruption have caused more boards to change the time-honored routine of discussing strategy occasionally at quarterly meetings.

Last month, the **National Association of Corporate Directors** released a report on how boards must adapt to demands of the future. A survey of members found that 74% expect they’ll need to significantly increase their time commitment to fulfill their mandate.

“Expending more time is not enough, though,” writes **Lester Lyles**, a retired U.S. Air Force general who is chairman of **KBR** and a director at **General Dynamics**, in an e-mail. He explains that board leaders must ensure that directors get the right diet of information from the board and management and that meetings focus on the most critical issues, including strategy. One way, he writes, is with specific board meetings or so-called “offsites” devoted to that topic.

Binkley, currently a senior advisor at human capital advisory firm **Vantage Leadership Consulting**, says that as an executive and as a board member of a regional health care company, he has found that deep-dive retreats do benefit directors if done right. “It cannot be just a report. Don’t [make presentations] to them for half a day. Make these slide-light and discussion-heavy. Get into the strategy dialogue and alternative options.”

To be sure, none of the governance insiders that *Agenda* asked suggested setting up strategy committees to focus on the question. Indeed, according to **MyLogIQ**, a provider of public company intelligence, that number typically stays below 3% of firms (*please see sidebar*).

“Strategy is a full board issue. None of my current or past boards had strategy committees,” writes **Ed Kangas**, the former global chairman of accounting firm **Deloitte**.

“The issue of how well boards and committees deal with strategy is not a function of committee title or written mandates,” continues Kangas, who is now chairman of **Deutsche Bank** USA and the compensation committee chair at **Tenet Healthcare**.

“Instead it is a function of how well the CEO, the chairman and/or lead director set the stage for strategy to be addressed [a]nd how they personally lead in setting agendas ... and ... ensure strategy is integrated into board and committee deliberations.”

Binkley claims that the best boards “try to get it right without adding another committee to work on it.”

Even then, he has found that the best boards always spend more time than they had planned on strategic discussion. “They know that the biggest differentiation that they can bring for shareholder value is in the area of strategy,” he says.

# S&P 500 Boards with Some Type of Strategy Committee

Fourteen boards reported in 2019 proxy statements

Company	Sector	Name of Committee
Cadence Design Systems	Technology	Strategy Committee
CBOE Global Markets	Financial services	Finance and Strategy Committee
Cerner	Technology	Finance and Strategy ("F&S") Committees
Crown Castle International	Financial services	Strategy Committee
Henry Schein	Retail and consumer	Strategic Advisory Committee
Kraft Heinz	Retail and consumer	Operations and Strategy Committee
Lockheed Martin	Industrial products	Strategic Affairs Committee
McDonalds	Retail and consumer	Public Policy and Strategy Committee
MSCI	Media and communications	Strategy and Finance Committee
TechnipFMC	Energy and mining	Strategy Committee
Tyson Foods	Retail and consumer	Strategy and Acquisitions Committee
United Rentals	Industrial products	Strategy Committee
UnitedHealth Group	Financial services	Public Policy Strategies and Responsibility Committee
Walmart	Retail and consumer	Strategic Planning and Finance Committee

Source: MyLogIQ

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