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The Board's Role in Strategic Planning: Striking the Right Balance

Strategic planning is clearly recognized as a crucial responsibility of boards. In the 2010 NACD Annual Survey of Public Company Governance, strategic planning and oversight was by far the top priority for boards, as noted by more than two-thirds of respondents. Furthermore, it is essential that boards be engaged in the strategic planning process; it is the core of the very raison d'être of the board. Strategy is the rudder that steers the ship, and the board must have a hand on the rudder by providing critical input into the strategic planning process.

Boards may be uncertain about what the appropriate extent and nature of their involvement in strategic planning should be. They are often wary of encroaching on management's territory. But there is no need to fear overstepping boundaries as a board member or to hang back. By clarifying roles and responsibilities in the process, the appropriate contribution of the board versus that of the CEO and senior management can easily be delineated. As a team they can plan, implement, and continue to refresh or reframe a successful strategy.

Even boards that are aware of the importance of strategic planning may not yet have an effective process in place. Moreover, strategic planning – much like CEO succession, risk management, and a few other vital, fundamental governance duties – is not a once and done process. If a strategic plan is to be a useful guide for growth, it will be ongoing and continually refined to reflect the shifting sands in the external environment.

Because external environmental pressures are changing much more rapidly than in the past, it is important for boards to recognize that the timeframe for developing the strategic plan, which will serve as a guide for the enterprise, has shrunk significantly. What was formerly a 5-to-10 year horizon has shrunk to an optimal 3 to 5 years. This timeframe makes sense when one considers the pace of change coupled with the fact that a strategic plan, or any plan for that matter, is only useful when it reflects priorities based on existing or anticipated conditions. To quantify in best practice terms: strategic plans are ideally generated every 3 years, then closely examined and refreshed as needed every one or two years thereafter to ensure related priorities and plans are still on track.

Following are some suggestions on how boards can implement an effective strategic planning process:

- **Gather the data** – Before the board and the management team can create or refine a strategy, they must equip themselves with meaningful data. One method by which management can gather a detailed set of information is by using the framework of a SWOT analysis (to determine strengths, opportunities, weaknesses, and threats). The data collected should relate to the current environment in which the organization operates, as well as any areas into which it might expand.
- **Generate a vision** – Informed by data from the SWOT analysis, the board and management can begin generating a vision. The vision is best described as something the organization aspires to and is consistent with its work, but cannot clearly see the “whats” and “hows” of yet. At this stage, making the vision practical and operational are not priorities. The vision might entail a strategy that taps the organization's current core competencies as with, for example, the board of a large regional healthcare system that decides to expand market share. Or perhaps the same healthcare organization decides its vision will entail a patient-centered approach, caring for all the individual's healthcare needs across the life continuum. A financial services company might aspire beyond offering products in a few, limited areas to becoming the one stop for all of its customers' financial needs.
- **Test the vision** – As a new or revised vision comes into sharper focus it will be time to augment the vision with an operational perspective and some reality testing. At this point the board and management must ask themselves, how can the vision be brought to life? The board and management should decide

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what next steps are required to quantify and test the vision. This process should include determining what four or five strategic initiatives constitute subsets of the vision, as it is further defined, including more specifics about customers and clients to be served and/or products and services to be offered.

- **Management gets to work** – Serving as a director or trustee is not a full-time job, with most boards now meeting once a month, at best. The board must, therefore, be continually cognizant of making the best use of its limited time, as well as its appropriate role. So it is the responsibility of management to take the general outline of the strategy and make it a real plan. Doing so requires that management take a careful look at current resources and then assess the ability to execute against the proposed strategy. A strategy that cannot be executed is of little use. Further analysis will help to crystallize what is and what is not realistic, and where additional resources will be needed.
- **An iterative process ensues** – A good strategy should have some built-in flexibility. It is forward-looking, after all, and intended to serve as a roadmap for the organization for several years. With additional dialog and give and take between the board and management team, there is a point at which the strategy will be agreed upon, and will become a living, breathing document. Proposed initiatives are translated into goals and objectives, and management must continually inform the board of what resources are required if implementation of the strategy is to succeed.

- **Implementation gets under way** – Once the process shifts from planning to implementation, management takes over. Implementation is clearly management's turf, and only those actively involved in operations know what is possible and what is unrealistic. This does not mean, however, that the board's input ends there. The board must continue to oversee this crucial process, which includes ongoing dialog among the board and the management team. Increasingly, the best boards discuss the strategy at each board meeting, with management providing updates on progress.
- **Measure the impact** – Organizations that create and implement a successful strategy often leave out this step, but it is critical to success long-term. It is management's job to provide the data to measure performance, to assess how successful the strategy has been, and it is the board's job to measure performance against the goals that have been agreed upon with management. Results should be used to inform and perhaps modify goals and implementation.

Whether or not the iterative planning process and the resulting strategy are successful depends on how creatively an organization can think about its future. Even in a difficult economic environment there are huge opportunities, some perhaps even the result of a slower economy.

Organizations that embrace a strategic planning process – and allow the board and management to reinvent, innovate, take risks, and study competitors and opportunities in a new light – stand to be rewarded, regardless of the external environment.

It is important to note that the same rigorous process should be applied to all organizations, whether for-profit or not-for-profit. While for-profit boards are focused on igniting enthusiasm among their shareholders for the strategy, it is no less important for non-profits to engage their constituents, including prospective donors. With so many non-profits competing for the same dollars, it is ever more important to articulate a vision that resonates with donors, and motivates them to support the organization.

A final thought: While the process of strategic planning is one of give and take with important roles to be played by both management and the board, at the end of the day, responsibility for oversight, to ensure a successful process and outcome, rests squarely with the board.



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Board and Strategic Planning

Nancy Livingston, Chair, American Conservatory Theater

Because of her background, a journalism degree and a career as an advertising copywriter, Nancy Livingston – chair of San Francisco’s American Conservatory Theater (A.C.T.) – is a natural when it comes to storytelling. This skill came in handy when she was tapped by the organization to lead their first-ever endowment campaign, which was a resounding success: “Our feasibility study predicted we would raise \$15 million, tops, but we ended up raising \$31 million!” Then, the last year of the campaign, the economy tanked.

It was a turning point for all arts organizations, and A.C.T. would have to reinvent itself somewhat to remain an effective community institution. “There was a paradigm shift,” recalls Livingston, “and while we didn’t know what the new normal would be, we did know that we would have to make significant adjustments to maintain a subscriber base: People were afraid to commit following 9/11; they wanted to be able to drop in and drop out. We would have to be more nimble to win them back and the organization needed a serious strategic plan so that we would be poised to take advantage of the market, taking into consideration both who we are as an institution and change in our environment.”

Starting with the endowment campaign committee, Livingston and colleagues began to distill messages about A.C.T.’s value to the community. “We needed to get to the essence of what we offer that people can’t get from commercial theater. As a community-based organization, we have a covenant with the community – to serve as a forum, a place where ideas are exchanged. That is our unique niche,” explains Livingston. “We realized we needed to articulate this, in an organic way – from the box office to when the curtain is brought down – to engage supporters.”

Generating a vision, a story about an organization’s plan for its future, was an integral part of the strategic planning process. A previous strategic planning effort three years earlier had been “terribly painful – not a happy process at all,” recalls Livingston. But a couple of important lessons were learned: The process had to be driven by the full board, not just a strategic planning committee, albeit with significant staff involvement. “Without the board’s buy-in,” says Livingston, “we knew we could not carry the plan forward as a living breathing document incorporating our new dreams. It would otherwise be destined to sit on a shelf and collect dust.”

As part of the strategic planning process, A.C.T. embarked on what was a massive culture change effort, which began in September of 2009 and ended at the annual meeting the following June. “It was one of the most insane things we had done in a while,” says Livingston. “I explained to the board how we wanted to ensure we were positioned on top, after the dust settled, and that if we were going to undertake a serious, rigorous strategic planning effort, we needed to bring in experts to help us.”

Once the planning process was underway, the entire 100-person organization became involved. “From the head carpenter to the chairman of the board,” says Livingston. “We divided everyone up into five strategic initiative groups (SIGs), and determined to march forward together as an organization, with a common understanding of what our vision is for our future. Leading each SIG was a senior team member and a board member.”

“We did a great deal of research,” says Livingston, “including interviews with board members, staff, donors, and subscribers to ensure we had all the data we needed to make informed decisions. It took a long time, but it was well worth the effort.”

In June 2010, the strategic planning leadership team presented the vision and strategic priorities that emerged from the planning process; the initial phase of implementation began in 2011 and will run through 2012. Starting this summer we will be writing a detailed business plan, to begin to make the vision operational “and to tie it up with a big red ribbon by September,” says Livingston. “Then we can determine what the impact will be on our budget going forward, how to roll out key initiatives, and how long it will take for our dreams to come true!”