

# ANNUAL STRATEGIC RETREAT AND YOUR BOARD OF DIRECTORS

The Chief Executive Officer within every business, company or organization has the primary responsibility for two major objectives:

1. To establish and maintain the overall objectives and direction of the organization.
2. To establish the Strategic Philosophy by which the organization will function to meet these objectives.

The absence or inaccuracy of either of these two critical elements inevitably results in floundering, instability and eventually, the ultimate demise of the organization. The seriousness of these

two issues are the very reason most CEO's rely on the guidance and counsel from their Board of Directors. They are in fact, the sounding board for executive decisions.

Clearly defined objectives are what keep the organization on course, hopefully pulling in harmony in the same direction. Although the CEO should be the one to define and set these objectives, the Board of Director's function is to ensure their accuracy and Return on Investment. At every board meeting the main issues to be reaffirmed should be, "What business are we in?", "What direction are we going?", and "How

will we there?" Thus, the underlying mission of every organization must be to create value for both society and the organization itself, while at the same time compounding cash at a rate that satisfies the expectation of the stakeholders. The Strategic Philosophy reflects business priorities in very simplified terms so that the entire organization can understand and identify with them. In many instances, the Philosophy manifests itself in the organization's "theme" such as with Avis, "We're second to none", or with Ford, "Quality is job one". This Strategic Philosophy is used to differentiate the organization from its

## STRATEGY FLOWCHART

### FOCUS - PHASE I

Define  
Strategic Objectives

### ANALYSIS - PHASE II

Analysis of  
Market Behavior

Analysis of  
Internal Environments

Analysis of  
Competitive Presence

### PLANNING - PHASE III

Corporate

Finance

Plans Development

Production

Marketing

Admin.

Personnel

R & D

Sales

### INTENSITY - PHASE IV

Implementation

Objective A

Objective B

Objective C

Objective D

# “STRATEGIC THINKING... AND YOUR BOARD OF DIRECTORS”

competitors while at the same time, position itself in the mind of its consumer public. This very theme can sometimes make the difference between how the organization is perceived both internally and externally.

From this point, a business or corporate strategy begins to evolve to address the predefined goals. This corporate strategy can best be defined as the pattern of objectives and policies that identify the organization and its business in terms which differentiates it from all of its competitors. Its strategy is derived from management's perception of present and future market opportunities, organizational resources and the competitive presence it faces. It is the careful consideration of these very factors which help to spell out overall success of the organization. In the simplest of terms, it requires doing the right things, at the right times and most important of all, for the right reasons. This is the true essence of strategic thinking.

Strategic Thinking becomes the responsibility of the Board, in that it must provide sound insights as to the accuracy and reliability of its Corporate Strategy. Most boards get their work done through committees that report to a full board. The setting up of small groups of directors specifically chosen for their relevant expertise has proven to be an effective way of addressing complex and vital issues. Due to the paramount importance of corporate objectives, the formation of a Strategy Committee is an important first move for the board. Such a committee usually functions best if its members are selected from outside the organization itself. This helps to minimize any emotional commitments or underlying loyalties which may subconsciously influence sound judgment.

The Strategy Committee is chaired by the Chief Strategic Officer who in most cases would be the CEO. This is due primarily to the importance of the job and the power it requires. In very large, more diversified corporations, the CEO may appoint or designate a Chief Strategic Officer to take charge of this responsibility. This individual is

entrusted with the developing of Strategic Plans and submitting them to his committee for discussion, debate, approval or modification. This position becomes very demanding and in some instances, unpopular work. In most cases, it requires interactive communication with department heads, as well as work with external research and consulting groups.

In an effort to maintain a profitable as well as competitive advantage, the entire Board must maintain a strategic thinking type of philosophy. This Strategic Thinking Philosophy evolves through four very

## STRATEGIC THINKING

Phase 1: **FOCUS** - Are we maintaining a narrow and accurately defined track by which we can achieve our predetermined objectives?

Phase 2: **ANALYSIS** - Do we have adequate information, knowledge and understanding, so as to make accurate decisions on critical business issues?

Phase 3: **PLANNING** - Have we been comprehensive and thorough in our planning, so as to address every critical element which will influence our overall success?

Phase 4: **INTENSITY** - Do we have a total commitment of vital resources targeted at these specifically defined objectives so as to produce a measurable return

distinct phases.

Keep in mind that each member of the board has been specifically appointed or elected for the value of their expertise. Their ability to think strategically or “vertically” as opposed to creatively or laterally, is what keeps the organization on its track. Due to their diverse external backgrounds, seldom are they kept sufficiently informed in detail as to the daily operational activities. Therefore, their efforts are best invested in directing the organization

on a more strategic level. Their ability to “critique” or enhance the soundness or logic of major strategic decisions by providing broader insights based, on their individual expertise is their true function.

As we know, there are many pitfalls and dangers that conceal themselves within every business environment, any one of which is seriously capable of impairing an organization's growth and momentum. Here are the thirteen reasons that can cause a business to get

## THIRTEEN SYMPTOMS OF DANGER

1. Shifts or changes in the marketplace
2. Inadequate control systems
3. Changes in technology
4. Precipitous change in a distribution system
5. Abrupt location disadvantage
6. Overdependence on a single customer
7. Growth of business beyond skills of management
8. Management short of courage
9. Internal conflicts
10. A group exerts selfish influence
11. Limited financial resources
12. Growth beyond working capital
13. An increase in cost of debt.

The responsibility of avoiding or addressing these symptoms of danger while simultaneously ensuring the future success of the organization becomes a team effort. This team effort must begin at the very top of the organization by combining the talents and expertise of the organization's most vital resource... its Board of Directors. With the future of the entire organization at stake, can we afford to merely plan for the future rather than strategize for it?

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