At the end of the day, it’s management’s strategy. But the long-held view that the board’s role is limited to reviewing, understanding, and signing off on the strategy is giving way to deeper board engagement. Increasingly complex business conditions demand it, investors and stakeholders expect it, and lead directors are uniquely positioned to find the right level of engagement and facilitate quality discussions.

As part of KPMG’s Lead Director Initiative, we recently conducted a series of one-on-one discussions with a number of lead directors and independent chairs of Fortune 500 company boards to understand how they are facilitating their board’s engagement in the strategy process. “The real end point for the board is to evaluate the strategy,” noted one director. “That requires thinking about the future and understanding the forces impacting the business and the industry. Properly positioned, boards can add tremendous value to strategy discussions—helping to shape and challenge the strategy and its underlying assumptions as conditions change.”

As our interviews made clear, the extent of the board’s engagement in strategy will vary by company as well as the lead director’s mandate and leadership style—from having a light touch to being more active. It’s important to work with the CEO and board to find the right depth and dynamics. Lead directors highlighted the following key areas of focus as they facilitate their board’s engagement in the strategy process.

Set expectations—with the CEO and directors—for the board’s engagement in strategy. How does the board want to engage in strategy? What does it need from management and from individual board members to be effectively engaged and to add value as the company’s strategy evolves to address new risks, opportunities, and disruptions?

Develop a vivid picture of the future and its impact on strategy. What’s happening in the world, and how does that impact the company’s strategic assumptions? What’s changed in the operating and competitive environment? What disruptive forces are on the horizon? Our discussions suggest a general lack of board focus on the future of the business, the industry, and the board itself. “Thinking about the future is not easy, or it’s done in a perfunctory way,” one director observed. “It requires the right balance of the theoretical and the practical, and it needs to connect to the strategy.”

Plan the set-up and staging of strategy discussions to drive the right focus and dynamics. Good strategy conversations require good preparation and information. The set-up and staging—the number of meetings, agenda, format and quality of meetings, and physical setting—are all key to avoiding presentation-heavy meetings with little discussion.

Insist on diverse and dissenting points of view. Is management truly challenging its own strategy and strategic assumptions? It’s important to have honest conversations about the strategy to bring in the full mix of views from directors, management, and third parties—particularly when the company is doing well. As one lead director noted, “It’s about thinking bigger,
farther, wider”—and that requires hard conversations. “Bring in views of people who don’t have a dog in the fight. Let them throw some bombs and challenge the conventional wisdom.”

**Reach consensus on the overall strategic direction.**
It’s important to set the expectation that the board’s goal is to reach consensus on the strategic direction. The key is to get true alignment on the overall strategy—the “bet the company” direction. “If you go too narrow too quickly,” one director said, “you’re likely to run into gridlock right out of the starting gate.”

For more, read “Facilitating the Board’s Engagement in Strategy” at kpmg.com/us/blc.

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