NACD Capital Area Chapter
Strategic Direction: Planning and Governance
March 15, 2017

NACD Capital Area Chapter's March program, "**Strategic Direction: Planning and Governance**," featured the Honorable Mary K. Bush, director of Discover Financial Services, Marriott International, ManTech International, and T. Rowe Price Group, and Jim Schleckser, director of DEFENDERS and Daniel Defense, and former director of Hanover Research. Moderated by General Michael Rochelle, the panel focused on how the board engages in a company's strategic planning process.

Bush pointed out that the world is changing very fast. For example, millennials purchase and travel habits are different than those of prior generations. Companies must respond to this type of rapid change, especially in light of global competition. Boards must react knowing that there are many eyes on them, whether the industry is banking, investment management, or travel.

Schleckser added that information availability is a new element with which boards must contend. The board no longer works behind closed doors, and demands for transparency and information availability mean boards must pay additional attention to reputation management. A problem that would have been very localized in the past could now be spread on social media to thousands.

Key points made during the program include:

- Strategy is one of the two most important things a board does, according to Bush. (The other, of course, is hiring the CEO.)
- Strategy is something that takes more than one year to execute. If it takes less than one year, it is a tactic.
- The board needs to deploy a skills matrix to ensure it has the right people on the board to engage in strategic discussions. Without a technology expert, for example, the board must rely on staff and outside experts for input on strategy.
- It is the board's job to expand management's view of the universe.
- Get people below senior management in the room, and bring in outside eyes to pressure test assumptions and discuss possible disruptors. An additional option is to take some of the smartest folks in the organization and ask them to come to the board with a plan for how to destroy the company. A lot will be learned by the exercise.
- The best time for the board to review strategy is well before it is "baked." If management comes in with something the team already feels very strongly about, the conversation with the board will be more difficult.
- The more compressed the strategic plan presented to the board is, the better. If management can boil the strategy down to one graphic, that's even more impressive. The plan should address why the business exists, what it is doing, and how the company is going to carry out the plan.
- Regarding the involvement of committees, the full board belongs in the strategy discussion. Offsite strategy retreats can be helpful.
- As much early warning as you can give the CEO if you disagree with his or her direction, the better.

- Review strategy annually or more regularly than once a year when putting a new strategy in place.
- Think about how the CEO is compensated to incent the deployment of any new strategy.

Bush shared a story about her early days on boards when she raised an issue and was pushed aside. Ultimately, the organization nearly went bankrupt based on the strategy Bush had questioned. This situation taught her that board members – whether long tenured or not – must trust themselves and their experience, and have the courage to speak up if they believe a strategy is incorrect.

NACD Capital Area would like to thank Hogan Lovells for hosting the program and the panelists for sharing their experiences with attendees.