

How the Board of Directors can evolve into a Strategic Business Arm



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The board of directors (BoD) plays a crucial role in the success of any business. However, to develop into a true strategy-making arm is a critical challenge and requires a multidimensional and complex process on a path that produces business advantage. Usually, Boards of Directors are considered primarily as regulatory bodies with the responsibility of implementing the governance requirements of an organization or business as well as providing oversight, and less as active contributors in the strategic shaping of future development. Transforming the BoD into a strategic "engine" and a high value-added force requires a targeted change in mindset, a conscious approach towards a clear strategic commitment with a clear understanding of the prospect of producing long-term benefits.

Delving deeper into the multifaceted mechanisms of a corresponding transformation for the Board, as well as the appropriate methods that will produce tangible rewards, we will refer to a sequence of key points, exploring their potential to create a high-quality, implementable Strategy.

The Challenges and Inherent Problems of the Board - Why is it so difficult to turn the Board into a strategic advantage?

Organizational leaders face significant challenges when trying to fully utilize the potential of their Board. This is mainly due to the fact that traditional structures only respond to market events and do not produce a strategy and proactive directions for its implementation for tomorrow. Board members may have deep knowledge of their vertical market, but they do not understand the daily and medium-term challenges and opportunities within the business itself. Furthermore, some Boards may resist change, while also clinging to a narrow focus on Regulatory Compliance and Risk Management, without actively participating in an expansive Strategy that requires a different approach and mindset.

A major obstacle to the Board gaining Strategic Vision and influencing the future is the different agendas and priorities of the members combined with the diversity of internal factors in each company. Board members usually have different backgrounds, different areas of expertise, but also personal interests and vested interests. This diversity can be either an advantage or a weakness, depending on how it is managed. Lack of alignment on key strategic goals can lead to fragmented solutions and inconsistent and holistic decision-making. Furthermore, Board members may hesitate to take on strategic roles if they are not clear about how their input will be received or implemented by the executive team.

Boards have limited access to timely information as they typically meet quarterly, so the information they receive may be outdated or incomplete. Without access to timely and well-correlated, reliable data, they may struggle to gain a clear picture and therefore make a meaningful contribution to a company's strategic direction. Executives, on the other hand, may not feel comfortable sharing unverified or unfiltered information for fear that it could lead to multiple failures and threaten the coherence of each board of the company and their position. Dysfunctional communication between the board and management can perpetuate a centrifugal course and move away from convergent approaches, slow down innovative initiatives, and weaken new strategic challenges that boards have generated.

Turning the Board into a Strategic Arm - Appropriate Approaches

While the challenges may be significant, transforming the board into a strategic weapon is only possible through the right approaches. We will briefly explore how the board can achieve this effectively and align its contribution with the long-term success of a company.

Strategy-Oriented Board Composition is the First Step - A board that is set up to oversee a traditional business model may not have the expertise to support changes, such as digital transformation, for example. As the company evolves, the board's skill set must also evolve. So, the first step is to identify the gaps. If the company is focused on innovation, digitalization, or sustainability, board members should have expertise in these areas. Diversity in skills and experiences can lead to stronger strategic discussions and innovative solutions.

Clear expectations for active strategic engagement from board members regarding their role in shaping strategy and not just monitoring regulatory compliance. Goals and specifications should be set so that the company's strategic objectives are highlighted and addressed. This changes the structure of meetings where part of them should be dedicated to strategic discussions. This involves providing board members with advanced material that highlights current challenges, opportunities and market changes, so that they can be ready to contribute meaningfully to the discussion.

Ability for board members to access real-time data and not just static reports, which do not help to reliably capture the current picture and how it changes every minute. Thus, they check in real or near real time the pulse of the company and its performance through the adoption of a secure single and shared dashboard with tools where key performance indicators (KPIs) are updated regularly. This encourages continuous focus on strategy and does not limit their participation only to quarterly meetings by changing the Agenda of the board's operation as a strategic arm.

Encourage open dialogue beyond executive decisions by actively challenging positions and eliciting a range of alternative views towards stronger, more resilient strategies. This requires a transparent culture where dissent is valued and taken into account. Assign different board members to take on “devil’s advocate” roles in strategic discussions, ensuring that all perspectives are explored before decisions are made.

Alignment between the Board and the executive team (C-suite) is critical - The Board and the C-suite must operate and act in a state of mutual trust and have a clear understanding of their respective roles. So, while the Board oversees at the governance level, at the same time, the field must be created for creating new perspectives within a strategic framework and not limited to just discussion but also to making executive decisions.

The evolution of the Board of Directors into a strategic arm can radically differentiate the organization or business, producing medium-term benefits if the entire process operates with the philosophy mentioned above. The main medium-term benefits may be indicatively:

- Clearer and More Accurate Strategic Focus
- Improvement in Risk Management
- Stronger Executive Transparency
- Greater Organizational Flexibility
- Increased Investor Confidence

Evolving the Board as a whole into a body with additional strategy-making capabilities is a long process and requires a change in mindset and convergences in the course of its own transformation initially, prioritizing "open" minds, persistence in the goal, consistency and use of appropriate tools, in order to produce results that will be capitalized in the medium term. This makes the Board a strong ally on the path to growth.

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