

20 Questions
Directors Should Ask about
Strategy

Third edition

WRITTEN BY
Ken Smith, Ph.D., ICD.D

20 QUESTIONS

How to use this publication

Each “20 Questions” briefing is designed to be a concise, easy-to-read introduction to an issue of importance to directors. The question format reflects the oversight role of directors which includes asking management — and themselves — tough questions.

The questions are not intended to be a precise checklist, but rather a way to provide insight and stimulate discussion on important topics. The comments that accompany the questions provide directors with a basis for critically assessing the answers they get and digging deeper as necessary.

The comments summarize current thinking on the issues and the practices of leading organizations. Although the questions apply to most medium to large organizations, the answers will vary according to the size, complexity and sophistication of each individual organization.

WRITTEN BY
Ken Smith, Ph.D., ICD.D

PROJECT DIRECTION
Gigi Dawe
Principal, Risk Oversight and Governance
CICA

Rayna Shienfield, J.D.
Principal, Risk Oversight and Governance
CICA



The CICA has granted permission to the ICD to use these materials in its Director Education Program.

20 Questions
Directors Should Ask about
Strategy

Third edition

Copyright © 2012 The Canadian Institute of Chartered Accountants

All rights reserved. This publication is protected by copyright and written permission is required to reproduce, store in a retrieval system or transmit in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise).

For information regarding permission, please contact permissions@cica.ca

Library and Archives Canada Cataloguing in Publication

Smith, Kenneth William, (date)

20 questions directors should ask about strategy / Kenneth William Smith. -- 3rd ed.

Previous eds. by: Chris Bart.

Issued also in electronic format.

ISBN 978-1-55385-644-3

1. Strategic planning. 2. Business planning. I. Canadian Institute of Chartered Accountants II. Bart, Christopher Kenneth, (date). 20 questions directors should ask about strategy III. Title. IV. Title: Twenty questions directors should ask about strategy.

HD30.28.S65 2012

658.4'012

C2011-907953-4

Risk Oversight and Governance Board

Giles Meikle, FCA, *Interim Chair*
Alexandre Guertin, CA
Mike Harris, CA, CIA, ICD.D
Doug Hayhurst, FCA, ICD.D
Bryan Held, FCA, ICD.D
Andrew J. MacDougall, LL.B.
Sue Payne, FCA, C.Dir
Debi Rosati, FCA, ICD.D
Ivor Ruste, FCA
Catherine Smith, ICD.D
Huw Thomas, CA
John E. Walker, FCBV, CA, LL.B.

Directors Advisory Group

Giles Meikle, FCA, *Chair*
Hugh Bolton, FCA,
John Caldwell, CA
William Dimma, F.ICD, ICD.D
Gordon Hall, FSA, ICD.D
Carol Hansell, LL.B.
Thomas C. Peddie, FCA
Guylaine Saucier, CM, FCA, ICD.D
Hap Stephen, CA
Peter Stephenson, Ph.D., ICD.D
Janet Woodruff, CA, ICD.D

CICA Staff

Gigi Dawe
Principal, Risk Oversight and Governance
Gord Beal CA, M.Ed.
Director, Guidance and Support
Rayna Shienfield, J.D.
Principal, Risk Oversight and Governance

Preface

The Risk Oversight and Governance Board of the Canadian Institute of Chartered Accountants has developed this publication to help boards of directors fulfill their responsibility for the oversight of strategy.

Since the first edition of this publication was released in 2003, the business environment in which boards of directors operate has grown much more complex. Expectations regarding their part in strategy have heightened accordingly. This third edition is intended to help directors:

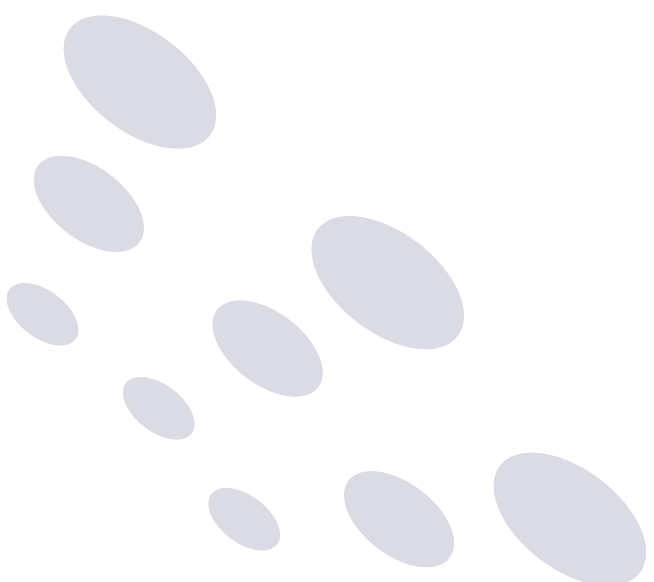
- understand the board's role in strategy
- engage appropriately and constructively in strategic planning and oversight
- review key elements of the company strategy and embedded risks
- work through unexpected changes in the strategic context.

The following pages feature a series of questions that directors may ask to focus thoughts and discussions on key strategic choices and associated risks. We also provide explanatory background and best practice ideas related to each question.

While our discussions are primarily aimed at directors of publicly traded corporations, many of the concepts are relevant to organizations in all sectors. We encourage directors to adapt the questions and approach to the size and sophistication of the organization and to the data and resources available.

The Risk Oversight and Governance Board thanks author Dr. Ken Smith for contributing his insights and ideas to this publication. We also acknowledge and thank the members of the Directors Advisory Group for their invaluable advice and the CICA staff for their support in completing this project.

Giles Meikle, FCA, *Interim Chair*, Risk Oversight and Governance Board



Contents

Introduction

Responsibilities, Roles and Process

1. What is this board's role in strategy versus management's role?
2. What is the process for developing the strategic plan?
3. What is the education program that will help directors understand the company and its context adequately for their role in strategy development and subsequent strategic decisions?
4. How will management and the board be engaged in strategy development and/or strategic risk assessment?
5. What is this board's risk appetite with respect to strategy?
6. What is the strategic context for each ongoing decision item? Does the decision alter the strategic direction?

Content of the Strategy and the Levels of Concern to the Board

7. What is the future context for the industry and the company?
8. Where will the company compete and why, i.e., in what market segments, in what aspects of the industry, in which geographies; based on what competitive advantage; what are the associated risks?
9. Given the future context and the choices above, what are the overall strategic goals?
10. Are any of the industries in which the company operates likely to restructure? What is driving the restructuring?

11. What role should the company play in industry restructuring?
12. Considering a portfolio of businesses held, how is the parent company adding value?
13. Is the proposed corporate strategy consistent with the role and capabilities of the parent?
14. How does the proposed strategy advance the company toward its goals?
15. How does the new strategy affect the skill and resource requirements, and the downside and upside risks?
16. What are the functional strategies that are instrumental to success and what are the associated risks?
17. How has the strategy incorporated corporate social responsibilities?

Implementation Issues and Special Situations

18. What are the key steps, risks and expected returns of strategy implementation?
19. What strategic options does the proposed course of action keep open or eliminate?
20. Is the board prepared for events that could place directors on the front line of high-stakes strategic decisions?

Conclusion

Appendix 1: Definitions

Appendix 2: Additional Readings in Strategy and Strategic Planning Methodologies

Where to Find More Information

Introduction

Today's increasingly complex and dynamic business environment magnifies the importance of strategy and the difficulty of its development and execution. Virtually every sector is affected by the march of technology, the opportunities and threats of globalization, and rapid regulatory and public policy change at home and abroad. Adding even more complexity are the far-reaching and unpredictable effects of the ongoing financial crisis. In such an environment, a company's strategy can be the key to its success or perhaps its survival.

Views on the board's role in strategy vary widely. At one extreme, strategy is seen as the board's primary role, with management working in support. At the other extreme, strategy development is viewed as the role of management; in effect, a board's disagreement with a strategy would be a vote of non-confidence, in which case the CEO should be replaced.

Therefore, this document begins with a discussion of questions directors should ask about the planning process and their roles and responsibilities in that process. The board is ultimately responsible for the company's direction and so it needs to be:

- engaged in the planning process
- prepared to consider major decisions in a strategic context
- confident in the choices that are ultimately made.

The questions then turn to the content of the strategy itself. While boards typically focus on the overall vision and corporate strategy, important strategic issues also may exist at the level of business unit strategy and even functional strategies. For example, decisions on product strategies and manufacturing strategies can expose the company to significant risks and so the board should understand the underlying issues.

The concluding questions concern implementation issues. The board's responsibilities include monitoring the strategy's execution. In a dynamic environment, the strategic context can change rapidly. The board must be ready to understand the implications of change for the strategy, includ-

ing related risks and options. Directors particularly need to be prepared for circumstances, such as a takeover offer, that can change the board's role from providing oversight and advice to management to making independent recommendations to shareholders and other stakeholders.

Note that some examples are used in this document to illustrate concepts and alternate strategies. Well-known companies and familiar historical situations have been selected so that the reader may benefit with minimal explanation. No judgement of the companies or their strategies is intended.

Responsibilities, Roles and Process

There are two perspectives on the board's responsibility for strategy that both lead to the same place. In the first perspective, the board is responsible for the company and so the directors are responsible for the company's strategic direction. The strategic vision and the competitive strategy are one of the—if not *the*—most important decisions the company must make.

In most large companies, however, the strategic planning process is carried out by management. This results in the alternate perspective that a board's over-involvement in strategy may undermine management accountability. Even from this perspective, the directors' duty of care requires the board to provide responsible oversight of risk, and the risks associated with the context for and choices made in the strategy are among the most significant.

For example, consider the fall of high-profile U.S. banks in the recent financial crisis. In the years leading up to the financial crisis, many financial institutions either explicitly or implicitly adopted strategies that dramatically shifted product focus, asset mix, and the sources of revenue and profit as they pursued the securitization and trading of large portfolios of real estate-backed structured products. Many boards did not adequately understand the underlying strategies and so they failed to grasp the associated risks.

One lesson that can be drawn from the failure of these institutions and applied to all sectors is this: directors' duties in risk oversight lead directly to their responsibility for strategy. The two are inextricably linked. In particular, the board must assess the key risks inherent in the strategic context and the choices made, and this requires more than a passing glance at the strategic plan.

Whoever develops the strategic plan, the board must be sufficiently engaged to validate it and to assess the associated risks, and it must have sufficient opportunity to influence the strategy and the exposure if necessary. In a dynamic environment, promising shareholders that poor strategic choices by management will result in their replacement is clearly not enough—by then, the damage could be done.

1. What is this board's role in strategy versus management's role?

While the board is responsible for the company's strategic direction, the board's role in the process may vary. In most large public companies, management does the heavy lifting in assessing the strategic context, analyzing the options and planning the course of action. The management team can thereby be held accountable to execute against the plan that it developed.

Smaller companies may not have the resources to undertake an analytically robust strategic planning process. The smaller the organization, the more the strategy may need to rely on the board's collective experience and insights. Strategic planning may consist of strategy workshops in which the directors take a hands-on role in defining options, choosing direction and setting priorities. Even in these cases, it is important that management own the resulting plan, as they are responsible for its execution.

In all cases, the board must understand the strategy well enough to:

- assess the inherent risks
- offer advice
- influence the direction if necessary
- achieve confidence that the plan is sound and warrants board approval.

In the best cases, the board goes beyond reviewing the plan and actively collaborates in the strategic thinking. The board also has a role in monitoring strategy execution and ensuring that major decisions of the company are made consistent with the approved strategy. The board should ensure that any change in strategy is recognized as such and appropriately considered and approved.

Questions directors can ask about the process, assumptions, inputs, strategies, risks and their involvement so that they can fulfil their responsibility comprise the remainder of this document.

2. What is the process for developing the strategic plan?

Even if management will lead the development of the strategic plan, directors should understand the process and their role in it. Just as understanding a company's risk management process is part of good risk oversight, understanding the strategic planning process is integral to the board's confidence in the strategic plan.

There are many effective strategic planning processes in use, some proprietary and some available from consultants.¹ The best processes incorporate the following themes.

- *Future-oriented:* The future context and goals should be considered early. With management under increasing market pressure to improve short-term financial performance, it is important for the board to set an appropriately long time horizon.
- *Internal and external considerations:* The most sustainable competitive advantages are based on relevant, hard-to-replicate competencies. To execute a winning strategy, it is important to know the direction of industry and competitors and determine what assets and skills should be developed.
- *Appropriate level and focus of analysis:* People tend to analyze what is available rather than what is important. For example, though it can be critical, competitive analysis is often light because it is hard to obtain. On the other hand, exhaustive analysis of unimportant issues can distract management and the board from higher quality thinking.

¹ See Appendix 2 for selected references.

- *Selective use of external resources:* Where new issues or unfamiliar markets are under consideration, expert third party input may be valuable. Engaging external help to facilitate the process can also be worthwhile but must not replace the role and ownership of either management or the board.
- *Action plans:* Many strategies merely define the strategic orientation. Strategy should define what actions will be taken and include metrics, milestones and responsibilities for the strategy's key elements.
- *Financial models:* Well-considered action plans can be used to develop financial models of the strategy's outcomes. Such models are far more valuable than the more typical extrapolations of past performance. They also make it relatively easy to test a range of input assumptions, thereby forming a basis for quantifying risks.
- *Risk analysis and stress testing:* Even with extensive analysis, uncertainty will remain. Be sure to consider uncertainty from both sides: downside risks and upside opportunities. Implications should be quantified where possible, and the strategy should include contingency plans and strategic alternatives.
- *Appropriate level of involvement:* The collective knowledge and thinking of the organization can be of value in strategy development. Involvement also builds buy-in. However, more is not always better. Exhaustive company-wide planning exercises can consume valuable resources, and some aspects of strategy should remain confidential.

Planning can be overdone. In some organizations, strategic planning has become a lengthy, exhaustive process that consumes valuable resources across the company year after year. The same frequency and depth of analysis may not be required in every division and function each year. Boards should exercise some restraint in their planning demands and keep the focus on the most critical issues.

3. What is the education program that will help directors understand the company and its context adequately for their role in strategy development and subsequent strategic decisions?

Ideally, some directors have been selected to sit on a board due to their industry knowledge, but typically few of them remain actively involved in the industry. Others may only have been exposed to the industry through their directorship. Helping directors understand the industry and company well enough to add value to the strategy dialogue and recognize the risk is a challenge.

Most boards are presented with briefings from company executives from time to time on important issues. (This exposure to the management team can also aid in succession planning.) In addition, some boards make time for independent outside experts to provide a third-party perspective and alternate views on relevant market, technology and competitive trends, and potential outcomes. Best practices include independent competitor briefings from industry analysts or consultants. Such analysis risks the perception that the board is second-guessing management's analysis. Use of third parties should be clearly defined as a director education initiative, and the analysis should be fact-checked (but not filtered) by management.

Ideally, such education sessions look forward. Directors typically have enough data on the company and industry's past. Informed discussions of alternative future scenarios that consider industry, market or competitor dynamics can prepare directors for strategy decisions.

4. How will management and the board be engaged in strategy development and/or strategic risk assessment?

The best strategy development processes truly engage the board and management in the thinking process together. The board should have the opportunity to raise its expectations and concerns early in the process so these matters are considered during the process, not just after. The board should also have the opportunity to understand the proposed strategy, consider the risks and provide feedback before the strategy is finalized.

Achieving the right kind of engagement is a subtle task. If the strategy is presented as a complete "for approval" agenda item, then the board will not be sufficiently engaged to gain real insight into the risks and it will be too late in the process to influence the thinking. However, too much engagement

may take responsibility away from management and undermine their accountability.

A best practice for engaging the board in strategy review is to deploy the board specifically in scenario analysis and risk assessment and to facilitate a sufficiently engaging exercise that enables them to understand the strategy and identify additional risks and opportunities. This approach leverages the role and talents of directors without subjecting the entire strategy to hands-on revision.

For example, when the strategy is drafted but not finalized, the board can be engaged to work with the proposed strategy under various “what if” conditions to identify additional risks and opportunities inherent in management’s strategy. Having directors work with the strategy in a range of scenarios, including best and worst case scenarios, will ensure they understand and can add value to the strategy and risk assessment.

5. What is this board’s risk appetite with respect to strategy?

The risks associated with the context and decisions of strategy are among the most significant risks of the company. One of the board’s roles is to approve the company’s risk appetite. Directors should discuss the nature of the uncertainties in the industry and the strategic risks appropriate for the company in the given circumstances.

Many directors believe that their role in risk oversight is to minimize risk, modulate executive exuberance and prevent disasters. However, risk only exists in the presence of uncertainty. Reducing uncertainty by reverting to more conservative strategies can truncate the potential upside for the corporation as well as the downside.

Furthermore, the risk of inaction is often ignored. In an ever-changing business environment characterized by globalization, public policy and regulatory change, industry restructuring, and new technologies, products and competitors, the safest course is seldom the status quo.

A best practice is to use scenario analysis² to understand the possible future contexts for the company and the strategy and exposures in each case. (As noted, scenario analysis also offers an effective means to engage the board in strategy review.) Representative scenarios can be developed based on a range of possible outcomes for each key assumption. The implications for the company under alternative strategies can then be considered in each scenario, ideally modelled so that the impact of choices under alternate assumptions can be quantified. In this way, the potential returns and risks of each strategy can be weighed and contingencies considered.

Even if a board is inclined to minimize risk, minimizing change is not the means. The board must understand the strategic context and ensure sound strategies within the company’s tolerance for risk, rather than its tolerance for change.



² Royal Dutch Shell pioneered the use of scenario planning for business planning in the 1980s. A concise introduction to the process can be found in Paul J. H. Schoemaker, *Scenario Planning: A Tool for Strategic Thinking*, Sloan Management Review, 1995, and in Ged Davis, *Scenarios for the 21st Century*, Probing the Future Conference, Strathclyde University July 12, 2002. (Ged Davis is former head of scenario planning at Royal-Dutch Shell.) For a more comprehensive overview, see Peter Schwartz, *The Art of the Long View: Paths to Strategic Insight for Yourself and Your Company*, Doubleday Currency, 1996.

6. What is the strategic context for each ongoing decision item? Does the decision alter the strategic direction?

The strategy process does not end with the completion of the strategic plan. Every important board decision should be made in the context of the strategy. To ensure that the board's ongoing decisions and risk assessment are within the context of strategy, the relevant strategic context should be explicitly discussed at every meeting and for every important decision. These discussions need not be extensive or time-consuming if the board is familiar with the industry context and engaged in the strategy process as recommended.

In dynamic market conditions, one should not assume that the strategy as approved is fixed and simply can be deployed without further consideration. When a decision seems right but is not aligned with strategy, there are three possibilities:

1. *The strategy was right and this decision should not be taken.* This is the most common case but often not recognized as such. For example, when an attractive acquisition opportunity is presented, the strategy is often ignored; management and the board should resist the lure of the deal in favour of longer-term strategic interests.
2. *The decision would take the company down one of the alternative paths considered in the plan as a contingency plan or strategic option.* In this case, the board should confirm that the change in circumstances for which the alternate plan was developed has indeed occurred. The strategy should then be fine-tuned to the new circumstances.
3. *The decision changes the strategy.* Choosing such a path would acknowledge that the strategy was wrong. If so, it is important for the company to develop a new strategy; otherwise the organization will continue taking actions or decisions based on the old (abandoned) strategy or based on no strategy at all.

The board needs to be in a position to identify off-strategy propositions and to provide an informed and independent perspective on the choices and consequences.

Content of the Strategy and the Levels of Concern to the Board

As boards seek to understand the strategic context and to review and advise on the plan's content, there are four levels of strategy to consider:

1. strategic vision and goals
2. corporate strategy
3. competitive strategy of each business unit
4. functional strategies.

Boards typically focus on the highest levels, but there may be important questions for directors to ask at each level.

Level 1: Strategic vision and goals

Planning means thinking ahead about how to accomplish a goal. To say that a plan is "strategic" implies that it is to achieve something of importance, it is coordinated, and it is competitive. (The Greek root, *strategia*, means to lead an army in battle.)

It is therefore important to begin with an understanding of the goals of the strategy, or the strategic vision.³ The most useful strategic visions are not simply aspirational statements. They are based on:

- *A perspective on the future context for the industry and the company.* For example, how the context may be affected by changes in technology, regulation, globalization or the actions of competitors
- *Choice of the markets or arenas in which to compete in light of the future context.* For example, where will the company compete in

³ There are many (sometimes conflicting) definitions of mission, vision and strategy. See Appendix 1 for definitions and discussion of these terms. In this document, we have aimed to state the 20 questions plainly and without jargon.

terms of geographies, market segments, or along the industry value chain?

- *The basis of competitive advantage.* For example, what assets, market position or competencies will provide the company with the ability to succeed in the chosen markets in that future context?

Based on this vision, the company can define its overall strategic goals. The strategy then comprises what the company will do to achieve those goals, leveraging its competitive advantages to win in the chosen markets or arenas of competition.

Before considering the strategy itself, the following three questions are among those that can be asked about the strategic vision.

7. What is the future context for the industry and the company?

By first considering the view of the future (or alternate views), the plan can directly address strategic choices within the most likely *future* context, which is seldom the current context. One can then consider and address possible actions of competitors.

Strategic planning typically begins with analysis of the past. Plans are then developed to improve performance or grow the business off the current base. Potential changes in the industry context or planning assumptions are addressed later in the process of considering risks to the strategy.

However, considering possible changes in industry context only as risks can cause them to be considered too little and too late in the process. The “what if” step at the end of the strategic planning process may reveal important possible changes in the context, but this is more likely to lead to contingency plans when a more fundamental rethinking of the core strategy may be required.

The best practice is to consider the future context for the company at the start of the process. This approach is more likely to lead to strategies that go beyond reacting to changes to taking advantage of them. In recent examples, some media companies participated in the development of tablet technology while others developed contingency plans; some mining companies anticipated and led global consolidation while others prepared takeover defences.

While the future cannot be predicted with any certainty, the board should expect to consider evidence of technology, regulatory and market trends, and indicative competitive behaviour. Again, a best practice is the use of scenarios of the alternate future contexts—the likelihood and implications of each scenario can be considered in strategy development and risk analysis. In particular, competitive analysis and “war games” can reveal potential competitor actions that should be considered in the plan.

8. Where will the company compete and why, i.e., in what market segments, in what aspects of the industry, in which geographies; based on what competitive advantage; what are the associated risks?

Before rushing to “how” to compete, strategic plans should address “where” and “why”. Boards should consider the following factors.

- *Where in the market?* For example, as the pulp and paper industry consolidated, first nationally then internationally, some companies worked to achieve a low-cost position in commodity paper markets (e.g., Abitibi-Price, now Resolute Forest Products). Others selected niche specialty paper market segments in which they could leverage unique competencies and retain high margins (e.g., Appleton Papers). The risks in each case were different: the high-volume commodity players would be exposed to continued price-based competition in cyclical markets; the niche players were betting that lower-cost players could not match their quality and that their customers would continue to demand that quality.
- *Where in the value chain?* IBM chose not to compete in personal computer manufacturing and instead invested in developing downstream software and services. The strategy reduced IBM’s exposure to low-cost competitors and recognized the potential value of IBM’s customer insights and relationships for the development of software and services. By contrast, the major oil companies have chosen to remain vertically integrated and earn high margins on scarce upstream resources.
- *Where in the world?* CN chose to develop a North American railway and believed it could compete on a North American scale as a

superior scheduled freight railway. The scheduled railway had not been tried on a large scale in freight before, but, on the upside, the move opened large growth potential. As another example, McCain Foods chose to enter India to be on the ground floor of a developing food processing industry.

In each case, these companies made choices to compete based on a rationale that considered their capabilities, the market alternatives and the risks.

In the best cases, the relative positioning of the products, services, costs and capabilities of the firm are objectively assessed to verify competitive advantages and vulnerabilities. In some industries, comparative metrics are readily available from the marketplace or from industry associations. Otherwise, competitive benchmarking may be required on key indices.

9. Given the future context and the choices above, what are the overall strategic goals?

Considering the future context, the selected focus and the basis of competitive advantage, what should the company be able to achieve? This articulation of potential should not be confused with lofty vision statements intended more to define an aspirational or inspirational end state.

Rather, it should define what the company will set out to accomplish. In the historical examples above, the goal of each company was clear.

- The fine paper company's goal was to leverage unique capabilities to dominate a specific high margin niche segment.
- The commodity player would achieve a low-cost position by mergers to consolidate overheads and rationalize capacity.
- IBM's goal was to reduce exposure to low-margin manufacturing and transform into a solutions provider.
- CN set out to be the first North America-wide scheduled freight railway.

These goals can be translated into financial goals later in the process, after the strategy and implementation plans have been developed.

Level 2: Corporate strategy

Companies with a portfolio of businesses must consider the strategy for the portfolio as well as the strategies for each business. In addition, single business companies in restructuring industries can face merger, acquisition, joint venture or sale decisions. The issues of business portfolio, partnerships, mergers, acquisitions or sale are generally referred to as corporate development and are addressed in the corporate strategy.

10. Are any of the industries in which the company operates likely to restructure? What is driving the restructuring?

Industries can restructure in a variety of ways. The most familiar is consolidation through the merger of like companies within a market, as recently occurred in the U.S. banking industry. Industries may also restructure along the value chain. This can occur by vertical integration; for example, the oil industry is largely integrated from oil exploration to gasoline retailing. Value chain restructuring can also occur by disaggregation; for example, the natural gas industry has separated into producers, pipelines, utilities and retailers.

Understanding what is driving the restructuring is important, as the underlying reasons highlight the skills and competitive position required to succeed. For example, the financial services consolidation was prompted by the repeal of interstate banking restrictions, but it is driven by economies of scale and scope in the products and distribution channels supported by technology—economies now available to large Canadian banks.

In the energy sector, emerging public policy in many jurisdictions is driving a shift in demand toward renewable sources. Smaller operators are producing run-of-river hydro, wind and solar power, fragmenting the network of suppliers in an industry once highly concentrated and fully integrated.

In media and telecommunications, the long-anticipated convergence is now driving industry restructuring. Companies and industries in the sector were once built according to the *form* of information (with video, voice and text defining

the roles of cable companies, phone companies and publishing houses respectively). Now, these industries are being organized around the *function* of the information. The Internet has accelerated the globalization of this industry, which was once protected in many countries, including Canada. Regulation is changing to allow foreign ownership and the formation of global communications companies.

Different and equally compelling forces are driving changes in industry structure in manufacturing, retailing, resources, transportation, and health care and pharmaceuticals. Virtually every sector is affected by changes in global markets, technology, demographics, and regulation at home and abroad.

Such forces can change the future context for competitors by changing the scale, scope and skills required to compete. While most companies will eventually have to react to these changes, those that anticipate changes will be in a better position. A best practice is to consider what might happen and why early in the restructuring or, ideally, before the trend begins. The board needs to understand why and how the industry may restructure in order to assess the company's strategy in that context. Fewer strategy options will be available the longer the company waits.



11. What role should the company play in industry restructuring?

In restructuring industries, the companies that do not acquire will often become targets (such as INCO and Molson). While sale premiums can be attractive, boards should also consider the value created by those that lead such restructurings (such as Xstrata and Inbev Brewing, respectively). To protect the company's long-term interests, directors need to stay ahead of such developments or they may eventually face a sale with few options.

Staying ahead requires a long view on the industry and the company's development. The companies that lead industry restructurings start early, build skills and financial capacity, and establish a track record of deal success. Those that wait may be presented with an offer to purchase including a premium for the stock that would be attractive to shareholders. In the absence of a compelling growth plan of its own, a board that is presented with such an offer has little option but to auction the company.

A plan to sell the company to consolidators can be a legitimate and even the optimal choice in a restructuring industry. Again, understanding why and how an industry may restructure can lead to strategies that position the company as an attractive target to the most desirable partners and optimize the timing and value of the sale. When the board is faced with an offer, it is too late to better position the company or influence partner selection or timing.

12. Considering a portfolio of businesses held, how is the parent company adding value?

The director of a company that owns multiple businesses needs to understand how the company, as the parent company, is to add value. The competencies of the parent and the corporate strategy should align with this role.

At one extreme, the company may hold a diversified portfolio of businesses that has little potential for integration. In such cases, the parent company, such as Berkshire-Hathaway, may act as investor only and choose not to intervene in the individual business (other than by exercising its fiduciary duties on any boards of its holdings). The parent company's role essentially is to grow and allo-

cate shareholder capital by buying and selling of companies or company shares and by monitoring performance.

A diversified portfolio may also be held by a parent company that adds value through management skills. General Electric, for example, holds a diversified portfolio and adds value by training management “the GE way” and by sharing management skills, tools and disciplines (e.g., Six Sigma).

At the other extreme are multi-business companies that are, or can be, highly integrated. In these cases, the parent company facilitates the sharing of resources and/or reforming the structures and relationships of the holdings. For example, the large media companies use content across media and products. The various new structures created to develop and exploit digital media illustrate how the parent can add value through integration. These parent companies typically have competencies in the industry, and the parent’s strategy is industry-specific and deeply related to the strategies of the holdings.

Between these extremes, the parent can play a range of roles. The important point is that the strategy of the parent, the competencies required and the related risks are role-dependent. The board of the parent needs to understand and agree on how the parent will add value.

13. Is the proposed corporate strategy consistent with the role and capabilities of the parent?

All of the elements of strategic vision reflected in the questions above apply to the board of a multi-business company. How they apply depends on the role of the parent.

For example, the strategic goals of the parent in an investor role will likely relate to the character of the portfolio and its returns (e.g., Berkshire Hathaway, GE). However, the parent company of an integrated portfolio of related companies would be expected to have an industry-specific strategic vision and competitive strategy (e.g., as in the above media company examples).

In addition, any change in the parent company’s role (e.g., warranted by a change in context or an opportunity to create value in a different way) needs to be acknowledged so that the strategic

risks can be properly considered. A change in role may also mean that different skills or resources are required of the parent.

In the best cases, the role of the parent is explicit and its strategies and competencies are aligned with the role. For example, Berkshire Hathaway acquires well-run companies and retains the management of acquired firms. In contrast, some private equity firms look specifically for troubled companies; they have the capacity to put new management in place and the skills to guide a turnaround.

In addition to risks directly associated with the strategies, a change in role and/or structure introduces implementation risks at both the parent level and in the holdings.

Level 3: Competitive strategy

For a single business company or for each business in a portfolio, the competitive strategy is the integrated set of actions that will advance the company in its selected market, that is, *how* the company will compete.⁴ Directors need to understand the competitive strategy, the choices required, the options left open or closed by those choices, and the risks introduced.

14. How does the proposed strategy advance the company toward its goals?

While this question may be simple and obvious, asking it can help distil extensive analysis and a potentially complex strategic plan into some basic principles. By asking the questions about the strategic vision above, the board has learned about the future context for the company and industry, determined where the company has chosen to compete and why, and defined its long-term goals. So what steps does the strategy propose to get there?

For example, investing in new paper coating technology fits the goals of the niche fine paper manufacturer discussed earlier but perhaps not with the goals of the commodity player. IBM’s outsourcing of manufacturing and its acquisitions of

⁴ A list of readings in competitive strategy is provided in Appendix 2.

Lotus and PwC Consulting were part of a clear march toward the transformation from manufacturing to software and services. The Thomson-Reuters merger was entirely consistent with Thomson's goal to become a leading provider of information to professionals in select segments.

Many wishful investment schemes and opportunistic acquisition proposals are brought to boards. A board that does not have clarity regarding the company's goals will have a harder time assessing the strategies proposed to achieve them.

15. How does the new strategy affect the skill and resource requirements, and the downside and upside risks?

A change in direction often creates a need for new capabilities. Strategies that require capital investments or acquisitions may generate new financing needs. The strategy should identify such new requirements and the plan to acquire the needed resources.

New directions and the need for new capabilities or financing all introduce risks. However, there are risks associated with the status quo as well. While boards usually ask about the risks associated with a new strategy, the question above is a comparative one. A best practice is to assess what risks the proposed strategy avoids or reduces, as well as what new risks are introduced. Upside and downside implications should be considered in both cases.

Returning to our examples above, the niche fine paper strategy truncated the potential upside benefits because it was focused on small markets, but it also truncated the downside risk of chasing a low-cost position unsuccessfully. On the one hand, IBM had a poor track record with acquisition integration prior to the change in strategy. The new strategy would require acquisitions, increasing merger integration risks, but it reduced IBM's exposure to low-cost manufacturing competitors at the same time.

Level 4: Functional strategies

Boards tend to stay at a high level and review strategic vision, corporate strategy and overall business strategies. But, as the saying goes, the devil is in the details. For example, many of the banks that were caught holding large portfolios of real estate derivatives during the recent financial crisis had committed significant resources to developing and trading these products in the preceding years and generated large profits as a result. Understanding where the money was coming from and the risks that were coming with it would have required an understanding of the associated product strategies.

16. What are the functional strategies that are instrumental to success and what are the associated risks?

While it is a lot to ask the board to understand all the details of all the functional strategies, directors can and should consider them in-depth where it counts. In some industries, there are select functions that will always be key to the strategy. For example, the research and development strategy of a pharmaceutical company, the brand strategy of a consumer goods company, and the supply chain strategy of a retailer may be key to the organization's success and a major source of strategic risk.

Boards should discuss which functions are key to a particular industry context or proposed strategy. For example, it may be important to review the sourcing strategy in anticipation of a new free trade lane, the sales strategy for a company entering a new market, the manufacturing strategy in the context of rising currency, or the environmental strategy for new resource development.

Outsourcing and insourcing decisions are effectively choices of "where to compete" at the functional level. A decision such as the outsourcing of manufacturing, as in the IBM example, is clearly a board decision. Even the outsourcing of select back-office functions warrants board-level review as such strategies can significantly affect cost structures and introduce new operational and financial risks.

The question of how deep a board should go should not be about the level of planning (i.e., corporate strategy versus business strategy versus functional strategies) or the level of detail (i.e., goals versus overall strategic direction versus strategic actions). Rather, the question should be about level of importance. The board has the right and responsibility to understand the elements of strategy that are important to the company's future and/or material to the risks.

17. How has the strategy incorporated corporate social responsibilities?

Many companies have adopted specific strategies on sustainability, including reporting to shareholders and the public on environmental and social issues. While there remains a range of opinions on a company's responsibilities to stakeholders other than shareholders, recent rulings have confirmed *the right* of directors to consider other stakeholders and *the obligation* to treat other stakeholders fairly "commensurate with the corporation's duties as a responsible corporate citizen."⁵

While the level of attention has increased dramatically, the strategies pertaining to corporate social responsibility (CSR) are often developed separately from the business strategy. One way that companies are bringing these strategies together is to require a sustainability review or CSR audit of major projects, capital plans and/or strategic plans. These reviews often identify risks and result in some additions or modifications to implementation plans.

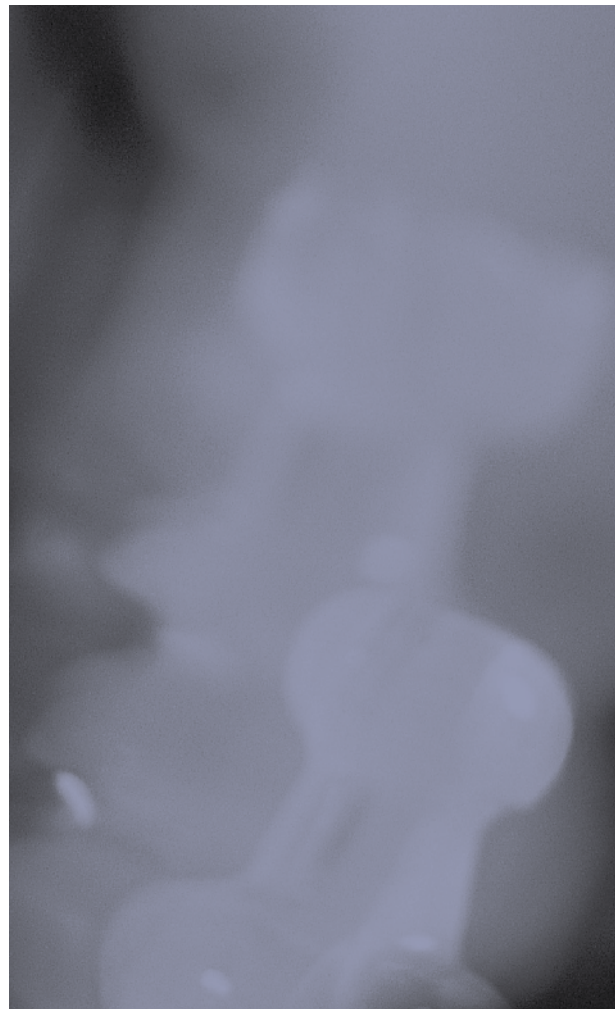
An emerging best practice is to use the CSR lens to find better business solutions. By looking at business problems or opportunities through multiple lenses from the start, ideas sometimes emerge that satisfy multiple goals at once. In addition to CSR, these lenses can include:

- shareholder value
- environmental impact

- community and economic development
- brand and corporate reputation
- employee impact
- corporate competitiveness.

For example, reducing energy consumption has reduced both carbon impact and operating costs for many companies. There are also examples where community development considerations have produced better long-term mine development plans. Some companies that viewed the hunger and poverty issues of India initially through the CSR lens are now seeing the business opportunity of being on the ground early in the development of a massive new market.

Directors should ensure that stakeholder expectations have been considered and, ideally, that the planning will be informed by CSR considerations and related business opportunities.



⁵ In its December 2008 ruling in the BCE case, the Supreme Court of Canada said, "The duty of the directors to act in the best interests of the corporation comprehends a duty to treat individual stakeholders affected by corporate actions equitably and fairly. There are no absolute rules and no principle that one set of interests should prevail over another. In each case, the question is whether, in all the circumstances, the directors acted in the best interests of the corporation, having regard to all relevant considerations, including—but not confined to—the need to treat affected stakeholders in a fair manner, commensurate with the corporation's duties as a responsible corporate citizen."

Implementation Issues and Special Situations

Strategy development often stops short of action plans. A strategy lacking specific action steps, milestones and accountabilities is incomplete and does not provide management or the board with a basis to track progress. In addition, circumstances can change and in some cases require the board to make independent recommendations to shareholders and other stakeholders. Often such decisions are needed when stakes are high and time is short, which further underscores the need for an ongoing process to stay current on the strategic context and strategy implementation progress.

18. What are the key steps, risks and expected returns of strategy implementation?

The very task of action planning can clarify an ambiguous strategy or reveal the impracticality of an ill-conceived one. The board may not need to know all the implementation detail, but, by pressing for evidence of it, the board can better ensure that the strategy is sound and actionable.

Planning the timing and resource requirements of implementation is also required for financial modelling. Even when following a strategic planning process, it is not uncommon for future projections to be essentially extrapolations of the past, with adjustments for successful execution partially offset by a little “sandbagging”.

In the best cases, projections are based on the timing and costs of strategic initiatives and the revenue or savings expected in due course. The board can then monitor the progress of strategy implementation and the impact versus expectations. As noted, a best practice is to use multiple scenarios of the future industry context and competitor strategies to develop a corresponding range of financial outcomes.

Implementation, even of a sound strategy, can also be the source of significant risks. If the strategy calls for new investments, new capabilities or new product-market initiatives, then risks of effective implementation will arise. In addition, even if

the implementation is well executed, it may not yield the expected outcomes. Therefore, the board should understand the major steps or milestones in order to monitor progress.

The board may have a role to play in implementation. For example, large investments or acquisitions may require board approval or even shareholder approval when new capital is required. Occasionally, the board is also engaged in advocacy, for example, when public policy or regulation is a factor. In all cases, directors should know when they may be called upon and prepare accordingly.

19. What strategic options does the proposed course of action keep open or eliminate?

Strategy is sometimes regarded as making choices. However, while choices do have to be made eventually, in a dynamic and uncertain industry environment, the best strategies keep as many doors open as long as possible. Flexibility has value.⁶

A new strategy may close some doors and open others. For example, IBM closed the door on PC manufacturing when it outsourced these functions and spun off its capabilities. Its acquisition of Lotus opened many new possibilities for other software development and distribution through IBM's channels.

Therefore, to properly assess upside and downside risk, the board should look beyond the choices made and consider the alternatives or options that may be lost or gained in pursuing the proposed strategy.

Then in the course of strategy execution, some decisions are best delayed to keep options open as long as possible. When decisions are tabled that will cut off other options, the facts, alternatives and risks should be revisited to ensure that conditions require such a choice and that the choice is the best one in light of the most current information.

Keeping options open is particularly important in periods of uncertainty in the overall market, such as the prolonged period of uncertainty following

⁶ Technically, the choices left open are referred to as *real options*. A concise discussion of the value and management of real options can be found in Timothy Luehrman, *Strategy as a Portfolio of Real Options*, Harvard Business Review, 1998.

the financial crisis. In such times, there are many unknowns about how market conditions could evolve over the planning period. A definitive strategy with pre-defined action steps into the future runs a high risk of failure and/or missed opportunities.

20. Is the board prepared for events that could place directors on the front line of high-stakes strategic decisions?

As noted earlier, boards are ultimately responsible for the strategy, and management usually leads the analysis and brings key decisions forward to the board. However, some situations put directors on the front line, such as a take-over or merger offer, the unexpected loss or removal of the CEO, or a crisis beyond management's experience or capacity.

One reason why it is important for the board to be up-to-date on the industry context and strategy is that the board can be pushed to the front line at any time. For example, in an industry that is restructuring, high-stakes merger, acquisition or sale decisions may need to be made that require board involvement. In particular, if an unsolicited offer is presented to acquire the company, the board may have to make a decision with limited support from management. The board must assess the sell option against the adopted strategy and other options, and it may be pressed to auction the company to maximize value.

A board that is current on industry developments, understands the company's growth strategy, and has assessed the upside potential of the growth and sale options will be in a better position to take control of the situation and assess the best value creation strategy, adjusted for risk.

If a company is in difficulty or on the brink of potential insolvency, the board may need to consider whether or not the current strategy will pull the company through. In such situations, directors may seek independent advice in addition to management's, but, in any such crisis situation, the board must make high-stakes decisions that affect shareholders and other stakeholders.⁷

The surprise departure or loss of the CEO is another circumstance for which a board must be ready. In

the best circumstances, a succession plan exists⁸ and a new CEO is in place quickly. However, in smaller organizations, it may not be practical for the company to have a qualified candidate on deck, and a director may need to step into the CEO role temporarily. Whether a director or another external candidate takes up the interim CEO role, the board cannot rely on management to the extent that it normally would.

The possibility of any of these circumstances should serve as a good reminder that the board is ultimately responsible for the strategic direction of the company and the associated risks, and it may need to exercise that responsibility directly in crisis. The board that has kept current on the industry, has been engaged in strategy development, and has set each meeting and decision in the context of strategy will be in a much better position to make optimal decisions in any of the situations above.

Conclusion

While the board is ultimately responsible for the company's strategic direction, management typically leads development of the strategic plan. In most respects, this division of roles is beneficial—management has the resources to execute a rigorous process and, after developing the plan, can more easily implement and be held accountable for it.

As a result, however, many boards are not close enough to the issues or the process to responsibly oversee strategy or properly consider the associated risks. Many directors lack the knowledge of the industry and company context they need to offer an informed, independent perspective. Many boards avail themselves only of an annual review to influence strategy, whereas the dynamic environments of most companies demand adaptive strategies that cannot be set and agreed to in advance.

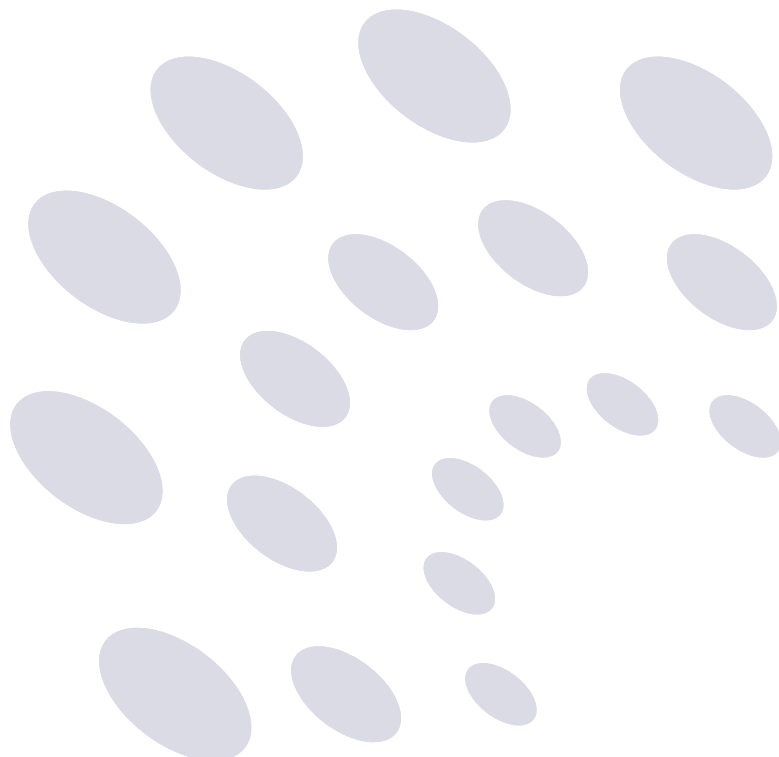
The 20 questions above are designed to take directors deeper into the strategy process while remaining in the directors' role. The strategy development process and the board's role in it should be

⁷ See "20 Questions a Director Should Ask about Crisis Management", CICA, 2008.

⁸ See "20 Questions a Director Should Ask about CEO Succession", CICA, 2008.

clear. Directors should be provided the background and the opportunity to understand the context and influence strategy. The board has a role to play at all levels at which strategy is important to the future of the enterprise or which can be the source of significant risks.

Moreover, in restructuring industries, some of the company-defining decisions will involve major mergers or acquisitions, and the board will likely be thrust into the front line at some point. If directors have been sufficiently engaged to really understand the context and have confidence in the strategy, they will serve the company well when the stakes are the highest.



Appendix 1: Definitions

Strategic Vision: The strategic vision is a descriptive goal for a company in the context of the company's future environment, the defined markets or arenas in which the company will compete, and the basis of the advantage it needs to compete in those markets. The strategic vision answers *where* the company will compete, *why* it chooses to compete there, and *on what basis* it will compete. However, it need not answer *how*.

For example, IBM may have defined its strategic vision in the late 1990s as follows.

IBM will transform from a hardware manufacturer to become the world leader in business software and services, based on:

- View of the future. *There will be continued growth of information technology but with greater competition and lower margins in hardware manufacturing.*
- Arenas of competition. *IBM will use its understanding of customers and their markets to develop new and better applications, and it will use its R&D capability to advance technology. IBM will increasingly outsource manufacturing.*
- Sources of competitive advantage. *IBM will maintain superior customer relationships and knowledge and superior applied R&D capabilities. We will develop new capabilities to become a skilled acquirer and supply chain partner.*

Competitive Strategy: The competitive strategy is *how* the organization will compete in the chosen markets to win. It is comprised of the integrated set of actions that will be taken to achieve specific goals in a competitive environment. Competitive strategy is generally defined for a single business or business unit for which the relevant markets and competitors can be identified.

Continuing the IBM example above, the competitive strategy would define how the company would achieve the stated position in software and services and reduce exposure to manufacturing.

Functional Strategies: When appropriate, competitive strategy can be taken to the functional level. For example, the R&D strategy may specify how the company will achieve superior new product introductions; the manufacturing strategy may specify how the company will achieve superior quality or costs. It is not always necessary to specify functional strategies and it is seldom necessary for all functions. The functional strategies of importance are usually determined by the nature of the industry, the basis of competitive advantage specified in the strategic vision, or the actions set out in the competitive strategy.

IBM's manufacturing strategy, for example, was new and critical to the company's broader competitive strategy.

Corporate Strategy: This comprises the aspects of strategy relating to external development, such as mergers, acquisitions, divestitures, disaggregation and significant partnerships. In most larger corporations, these issues and opportunities are in the realm of the corporate development function and the corporate centre. However, the competitive strategy of the individual businesses or business units may lead to corporate strategy considerations. Conversely, corporate strategy decisions will often affect the competitive strategy of individual businesses or business units. *(For example, IBM's corporate strategy would entail acquiring software companies (e.g., Lotus) and consulting service companies (e.g., PwC). It would also entail spinning off large portions of its manufacturing supply chain (e.g., Celestica).)*

Appendix 2: Additional Readings

Additional Readings in Strategy and Strategic Planning Methodologies

1. Martha Amram and Nalin Kulatilaka, *Real Options*, Harvard Business School Press, 1999.
2. Ged Davis, *Scenarios for the 21st Century*, Probing the Future Conference, Strathclyde University, July 12, 2002.
3. Erna Van Duren and Michael E. Cox, *Responsible Leadership and Strategic Management*, 2nd ed., Pearson, 2010.
4. Renee Dye and Sibony Olivier, *How to Improve Strategic Planning*, McKinsey Quarterly, August 2007.
5. Dwight L. Gertz, Joao P.A. Baptista, *Grow to be Great*, The Free Press, 1995.
6. Rudolf Grunig and Richard Kuhn, *Processed-based Strategic Planning*, Springer-Verlag Berlin Heidelberg, 2001.
7. Leonard Goodstein, Timothy Nolan and J. Pfeiffer, *Applied Strategic Planning: How to Develop a Plan That Really Works*, McGraw Hill, 1993.
8. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard*, The President and Fellows of Harvard College, 1996.
9. Robert S. Kaplan and David P. Norton, *Strategy Maps*, Harvard Business School Publishing, 2004.
10. W. Chan Kim and Renee Mauborgne, *Blue Ocean Strategy*, Harvard Business School Press, 2005.
11. Timothy Leuhrman, *Strategy as a Portfolio of Real Options*, Harvard Business Review, 1998.
12. Henry Mintzberg, *The Rise and Fall of Strategic Planning*, The Free Press, 1994.
13. Henry Mintzberg, Bruce Ahlstrand and Joseph Lampel, *Strategy Safari*, The Free Press, 1998.
14. David Nadler, Mark Nadler and Michael L. Tushman, *Competing by Design: The Power of Organizational Architecture*, Oxford University Press, 1997.
15. Kenichi Ohmae, *The Mind of the Strategist*, Penguin Books, 1982.
16. Michael E. Porter, *Competitive Strategy*, The Free Press, 1980.
17. Michael E. Porter, *What is Strategy?*, Harvard Business Review, 1996.
18. John Roberts, *The Modern Firm*, Oxford University Press, 2004.
19. Paul J. H. Schoemaker, *Scenario Planning: A Tool for Strategic Thinking*, Sloan Management Review, 1995.
20. Peter Schwartz, *The Art of the Long View: Paths to Strategic Insight for Yourself and Your Company*, Doubleday Currency, 1996.
21. Adrian J. Slywotsky, *Value Migration*, Harvard Business School Press, 1996.
22. Ken Smith and Alexandra Lajoux, *The Art of M&A Strategy*, McGraw Hill, 2012.
23. George Stalk and Thomas M. Hout, *Competing Against Time: How Time-based Competition is Reshaping Global Markets*, The Free Press, 1990.
24. Carl W. Stern and George Stalk, *Perspectives on Strategy*, John Wiley & Sons, 1998.
25. Lenos Trigeorgis, *Real Options in Capital Investment*, Praeger, 1995.

Where to Find More Information

CICA Publications on Governance*

The Director Series

The 20 Questions Series

20 Questions Directors and Audit Committees Should Ask about IFRS Conversions (Revised)
20 Questions Directors Should Ask about Building a Board
20 Questions Directors Should Ask about CEO Succession
20 Questions Directors Should Ask about Codes of Conduct (2nd ed)
20 Questions Directors Should Ask about Crisis Management
20 Questions Directors Should Ask about Crown Corporation Governance
20 Questions Directors Should Ask about Director Compensation
20 Questions Directors Should Ask about Directors' and Officers' Liability Indemnification and Insurance
20 Questions Directors Should Ask about Executive Compensation (2nd ed)
20 Questions Directors Should Ask about Governance Assessments
20 Questions Directors Should Ask about Governance Committees
20 Questions Directors Should Ask about Insolvency
20 Questions Directors Should Ask about Internal Audit (2nd ed)
20 Questions Directors Should Ask about IT
20 Questions Directors Should Ask about Management's Discussion and Analysis (2nd ed)
20 Questions Directors Should Ask about Responding to Allegations of Corporate Wrongdoing
20 Questions Directors Should Ask about Risk (2nd ed)
20 Questions Directors Should Ask about the Role of the Human Resources and Compensation Committee
20 Questions Directors Should Ask about their Role in Pension Governance
20 Questions Directors Should Ask about Special Committees
20 Questions Directors Should Ask about Strategy (3rd ed)

Director Briefings

Climate Change Briefing—questions for directors to ask
Controlled Companies Briefing—questions for directors to ask
Diversity Briefing—questions for directors to ask
Long-term Performance Briefing—questions for directors to ask
Shareholder Engagement—questions directors should ask
Sustainability: Environmental and Social Issues Briefing - questions for directors to ask

Director Alerts

The ABCP Liquidity Crunch—questions directors should ask

Executive Compensation Disclosure—questions directors should ask

Fraud Risk in Difficult Economic Times—questions for directors to ask

The Global Financial Meltdown—questions for directors to ask

Human Resource and Compensation Issues during the Financial Crisis—questions for directors to ask

New Canadian Auditing Standards—questions directors should ask

The Not-for-Profit Director Series

NPO 20 Questions Series

20 Questions Directors of Not-for-Profit Organizations Should Ask about Board Recruitment, Development and Assessment

20 Questions Directors of Not-for-Profit Organizations Should Ask about Fiduciary Duty

20 Questions Directors of Not-for-Profit Organizations Should Ask about Governance

20 Questions Directors of Not-for-Profit Organizations Should Ask about Human Resources

20 Questions Directors of Not-for-Profit Organizations Should Ask about Risk

20 Questions Directors of Not-for-Profit Organizations Should Ask about Strategy and Planning

Liability Indemnification and Insurance for Directors of Not-for-Profit Organizations

NPO Director Alerts

Pandemic Preparation and Response—questions for directors to ask

Increasing Public Scrutiny of Not-for-Profit Organizations—questions for directors to ask

New Rules for Charities' Fundraising Expenses and Program Spending—questions for directors to ask

New Accounting Standards for Not-for-Profit Organizations—questions for directors to ask

Other Publications

Accountants on Board — A guide to becoming a director of a not-for-profit organization

The CFO Series

Deciding to Go Public: What CFOs Need to Know

Financial Aspects of Governance: What Boards Should Expect from CFOs

How CFOs are Adapting to Today's Realities

IFRS Conversions: What CFOs Need to Know and Do

Risk Management: What Boards Should Expect from CFOs

Strategic Planning: What Boards Should Expect from CFOs

*Available at www.rogb.ca.



About the author

Ken Smith, Ph.D., ICD.D

Ken Smith is a strategy consultant and professor of business. He has practiced as a strategy consultant for 25 years, beginning with McKinsey & Company and later with SECOR Consulting, Canada's leading international strategy consultancy, where he has been a Managing Partner and Chair of the Board. He was appointed last year as Associate Dean of Executive Education at the University of Guelph and continues consulting part-time.

An advisor to executive management, boards, and government, Ken's client work and research interests are focused on business and public policy issues related to corporate strategy and industry restructuring. He has written on the systemic risk issues behind the U.S. financial industry crisis and advised U.S. regulators. He also worked in support of the Red Wilson Panel on Canadian Competitiveness and has published several articles relating to the corporate governance and public policy issues associated with global industry restructuring and international mergers and acquisitions.

Ken is also active in corporate governance. He is a director of ACCERTA, the Mergers & Acquisitions Leadership Council and the National Board of the Arthritis Society, and is a former director and chair of SECOR Group. He is the past-Chair of the Ontario Chapter of the Institute of Corporate Directors (ICD), a member of the new South Western Ontario ICD Executive Committee and a member of the (federal) Steering Committee for Financial Literacy.

Ken holds a B.Sc. in Mathematics from York University, and an M. Sc. and Ph.D. in Mathematics and an MBA from the University of Toronto. He is also an accredited director with an ICD.D from the Institute of Corporate Directors.

20 Questions Directors Should Ask about **Strategy**

Third edition

ISBN-13: 978-1-55385-644-3



9 781553 856443

04000072

277 Wellington Street West
Toronto, ON Canada M5V 3H2
416.977.3222 www.cica.ca