

The Next Frontier in Corporate Governance: Engaging the Board in Strategy

Original Publication by Jeffrey L. Kerr and William B. Werther, Jr.

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In this engaging article, Jeffrey L. Kerr and William B. Werther, Jr. pose the question of whether boards of directors for large and small corporations alike are assets or liabilities. Kerr and Werther believe that, indeed, boards have the absolute potential to be valuable assets to corporations but often times are misused or mismanaged in ways that inhibit companies from running efficiently. But how can corporations utilize the board to its full potential? According to Kerr and Werther, the answer is to engage the board in strategy. The article proceeds to discuss the prerequisites of board involvement, the benefits of this involvement, and how exactly to engage the board in strategy.

Benefits of Board Involvement: Kerr and Werther make it perfectly clear that the board's involvement in forming corporate strategy should not lessen the responsibility of management to do so as well. If both parties engage equally in discussing the strengths of strategy as well as its weaknesses and how to improve them, the company will proceed with the best possible plan, sharpened by discourse and experience. In order to have effective board discourse, meetings should focus only on the company's big picture and not on petty details. The mutual focus on the big picture creates more trust and understanding between the board and the executives, thus enabling solid strategy and efficiency.

Prerequisites of Board Involvement: One of the problems inherent in corporations occurs when both the board of directors and the CEO views their positions narrowly. Kerr and Werther state that often times, board members are inexperienced or power-driven. Board members with these characteristics create managerial and strategic problems. Thus, board members should be selected on their potential to bring fresh ideas to the company, their financial literacy that is required to protect shareholders interests, and their ability to function competently within the corporation. Even a board with these characteristics will not be able to contribute to the goal of streamlining corporate strategy unless it understands the company itself and the issues facing it. In order to insure that the board can add value, Kerr and Werther claim that the board members must be able to see the big-picture of the company. They can accomplish this perspective only by communicating effectively and openly with top executives and by remaining connected and involved within the corporation.

Managing the Process: In order to create effective strategy, Kerr and Werther push the importance of having effective board meetings. Board members must be brought up to date on the issues and developments within the company prior to the meeting so that time is not wasted. The meeting itself should be monitored by a capable leaders, be it a CEO, chair member, or outside facilitator, who can stimulate engaging and thorough

conversations. These conversations should focus more on questioning the logic and rationale of the corporation's strategy and less on petty details of day-to-day business. After the meeting, the board should stay informed and involved in the company's dealings; Kerr and Werther promote tactics such as management-arranged site visits where board members can meet with key people within management to get a realistic perspective of corporate strategy applied.

If board members are chosen for their potential contribution to the company, if board meetings are run efficiently and effectively, and if board involvement becomes an ongoing process, then corporate strategy will improve, ushering in a new governance landscape on the corporate horizon.