The governance role of the board in corporate strategy: an initial progress report

Chris Bart

Business Policy Strategy and Governance,
DeGroote School of Business, McMaster University,
Hamilton, Ont., Canada, L8S4M4
Fax: 905 521 8995 E-mail: bartck@mcmaster.ca

Abstract: This paper presents a preliminary progress report into the governance role that boards play (and should play) in the strategic planning process. It reports on whether the nature and degree of their involvement (or lack thereof) in certain strategic planning activities is positively associated with selected performance outcomes.

The findings indicate that, surprisingly, a board's involvement in reviewing and discussing its organisation's financial statements may not be adding the kind of value that organisations look to receive from their board of directors.

Keywords: strategy; mission; vision; governance; boards; performance.

Reference to this paper should be made as follows: Bart, C. (2004) 'The governance role of the board in corporate strategy: an initial progress report', *Int. J. Business Governance and Ethics*, Vol. 1, Nos. 2/3, pp.111–125.

Biographical notes: Dr. Chris Bart is North America's leading expert on helping organisations develop *mission and vision statements* that get results. He is the author of the Canadian business number one best seller, *A Tale of Two Employees and the Person Who Wanted to Lead Them* as well as the CICA publication, *20 Questions for Directors about Strategy*. He has also published over 50 other papers, cases and reviews. Dr. Bart is currently a Professor of Business Policy Strategy & Governance at the Michael G. DeGroote School of Business, McMaster University, Hamilton, Ontario and a Principal with Corporate Missions Inc. (www.corporatemissionsinc.com). In 1993, he helped found the Management of Innovation and New Technology Research Centre (MINT~RC) at McMaster and was named its first Director. In 2003 he helped found the The Directors College, Canada's first accredited director education programme. A highly regarded Lecturer, Dr. Bart holds the record number of teaching awards at the Degroote School of Business – including the President's Award for Teaching Excellence. Over the years, Dr. Bart has been invited to lecture at numerous prestigious institutions throughout the world. He has also received many academic awards and honours. Among his other qualifications, Dr. Bart is a Chartered Accountant. He is listed in Canadian WHO'S WHO, Who's Who in Canadian Business, and the International Who's Who of Professionals.

1 Introduction

What is the proper governance role of the board in an organisation's corporate strategy and what should it be? There are ample arguments to suggest that it should be an active and involved one. After all, the purpose of governance (the later being defined as the structures, processes and behaviours used to direct and control the organisation and to manage the relationships among key organisational stakeholders) is to enhance executive decision-making and thus improve organisational performance. Since strategy is one of the most important activities that a CEO and his/her executive team can perform, it would seem only fitting that this is an area in which the board should be quite involved.

Indeed, according to Bev Behan, a Partner at New York based Mercer Delta:

> "Board members can provide an outside perspective on opportunities and risks that management may overlook. The Board can support, counsel, and challenge the CEO, and bring higher levels of performance to the enterprise. And, when properly engaged in fiduciary oversight, corporate strategy, and succession, a Board can have a significant impact on performance." (as told to the author)

For reasons such as these, numerous 'codes of best practice' in recent years have sought to enshrine and reaffirm the need for boards to perform the following roles:

- to provide the ultimate direction of the organisation
- to review, understand, assess and approve on request the organisation's strategy
- assess and understand the issues, forces and risks that define and drive the organisation's central business(es).

The positive impact that boards can have is supported further by the results from a fairly recent investor opinion survey conducted by McKinsey & Company's of 200 institutional investors (*A Premium for Good Governance*, 2002). It was reported that 75% of respondents said that 'board practices' were as important as financial performance in evaluating investment opportunities. And more than 80% said they would pay more for shares of a well-governed company (between 18% and 27% more!!).

Given these observations, it is somewhat surprising to note that for a considerable period of time there was a view once held in some jurisdictions, such as Canada, that it was inappropriate for Boards to become involved in strategic planning. This was because such planning was thought to more properly belong only within the purview of management. The role of the board, in turn, was confined only to making sure that an appropriate *strategic planning process* was in place and thus leaving the actual determination – and de facto approval – of strategy to the CEO. There was no requirement on the part of the Board to approve the strategy.

Accordingly, directors in recent years appear to have become largely disengaged from their organisation's corporate strategies, choosing instead to focus only on financial results and stock market performance. For example, McKinsey reported in their 2002 board survey (*Inside the Boardroom*, 2002), that 36% of directors responding claimed that they did not understand the major strategic risks facing their companies and 43% could not 'effectively identify, safeguard or plan for key risks'. Moreover when asked how they would rate their boards in terms of shaping long-term strategy, 33% stated that they were not effective.

Of course, there is also another major reason why boards have ignored the issue of their organisation's strategy: CEOs simply do not want their boards involved in such discussions. This would certainly explain the proclivity of 'buddy boards' in which a CEO is assured that nobody is going to ask difficult or embarrassing questions. Indeed, many CEOs view boards that get involved in setting the organisation's strategy as an interference into their managerial responsibilities – not to mention their sense of personal power. Of course, the downside of this approach is that the board does not genuinely understand or buy into the organisation's strategy and board talent is under leveraged. Ironically, taking this approach sometimes backfires on CEOs whereby formerly disengaged boards become over-engaged and then make their CEOs 'walk through fire' on tactics.

But times have changed and with the current crisis in corporate governance, there have been renewed calls for Boards to become more active participants in their corporations' direction setting. For instance, in the November 2001, (TSX and CCIA, 2001) it was stated:

> "The objective of good governance is to promote strong, viable and competitive corporations. Boards of Directors are stewards of the corporation's assets and their behaviour should be focused on adding value to those assets by working with management to build a successful corporation and enhance shareholder value. A committed, cohesive and effective board adds value, first and foremost, by selecting the right CEO for the company. Beyond this, the board contributes to value in a number of ways (including) … assessing and approving the strategic direction of the company." (TSX and CCIA, p.7)

With these words, the notion of a board's responsibility for a corporation's strategy has become no longer debatable. And shortly thereafter, the Toronto Stock Exchange (TSX) further announced that for listed companies (and non-corporate TSX issuers, such as trusts and limited partnerships), it intended to expand the role of the Board from its current mandate of simply 'adopting a strategic planning process' to include the approval of the strategic plan itself.

But what exactly do these new responsibilities for strategy entail? And how should directors exercise them?

A board's involvement in strategy, as currently envisioned, must continue to honour the well-respected tradition that directors, generally, are not elected to micro-manage the corporation, but rather for oversight, insight and foresight. In terms of their 'oversight' function, directors must ensure that appropriate processes and controls are in place both to manage and monitor risks and to provide for the smooth, effective and efficient functioning of the business. With respect to 'insight', directors are there to add their experiences and wisdom, not to second-guess management, but to supplement and enhance executive decision-making. As for 'foresight', the directors are there to provide a perspective on the future that helps management identify those opportunities that are most worth pursing.

One way that this constructive involvement has been operationalised (and hypothesised) is presented in Exhibit 1. Moreover, recent research by Bart and Bontis (2003) has demonstrated that the more boards are both aware of their organisation's mission statement and more involved in formulating it, the greater the organisation's commitment to the mission. But what exactly are directors doing today in terms of their new found strategic responsibilities and are they doing the right things – things that make a difference in terms of improved corporate governance? It was these fundamental questions which formed the basis of the current research endeavour.

2 The research questions

A major empirical research study was subsequently launched to determine the state of practice with respect to selected board activities in relation to an organisation's corporate strategy. A major goal was also to assess the linkages among those practices and certain outcome/performance measures. The research was designed to answer several specific questions:

- what type of information do boards receive as part of their involvement in the strategic planning process?
- to what extent do boards actually discuss the information received as part of the strategic planning process?
- what is the nature and extent of board involvement in terms of helping to formulate various aspects of their organisation's corporate strategy?
- how much time do boards commit to their organisation's corporate strategy and strategic planning process?
- how satisfied are boards with their involvement in their organisation's strategic planning process?
- what is the relationship – if any – between a board's satisfaction with its involvement in the strategic planning process and the other variables of interest in this study?
- what is the relationship – if any – between an organisation's financial performance and the board variables of interest in this study?

3 How the research was conducted

3.1 Sample selection and size

The current study is based on a convenience sample of 20 participants from the newly created Directors College (www.thedirectorscollege.com) who agreed to participate by completing a survey questionnaire which examined the research questions listed above. The participants came from a variety of organisations:

- 15% publicly traded companies
- 25% private corporations
- 40% not-for-profit organisations
- 10% government crown corporations
- 10% pension funds.

Unfortunately, both the method of sample selection and the sample size restrict any claims that might be made about the representativeness of the findings. Nevertheless, the findings from this sample are intended only to report initial (though speculative) findings that will be further explored as the sample size grows. However, given the thirst for data on effective governance practices, the author believes that these findings may provide tentative guidance to those boards of directors looking for direction and spur other researchers to enter the arena.

3.2 Data collection

A questionnaire was developed and distributed which measured respondents' perceptions of:

- the financial performance of the firm
- the type and quantity of information that boards obtain and discuss as part of their involvement in the strategic planning process
- the nature and extent of board involvement in terms of helping to formulate various aspects of their organisation's corporate strategy
- the time commitment boards make to their organisation's corporate strategy and strategic planning process
- the board's satisfaction with its involvement in the strategic planning process.

(Although it is recognised that responses based on individuals' perceptions may vary significantly from reality, exploring such differences has been left to another study).

Firm financial performance was measured by asking respondents to indicate how satisfied their boards were with their organisation's current financial performance (using a ten point scale, where 1 = not at all satisfied and 10 = extremely satisfied).

The type and quantity of information that boards obtain as part of their involvement in the strategic planning process was measured by asking respondents to indicate (using a five point scale, where 1 = none; 2 = little/barely; 3 = average/moderate; 4 = considerable; 5 = to the greatest extent) the extent of information received prior to board meetings (as part of the 'board package on strategy') using the following information items:

- external environment assessment
- internal resources analysis
- entry and exist from major business arenas
- risk analysis
- planning assumptions
- major strategic alternatives considered and rejected
- rationales for the proposed strategy
- organisational alignment with the strategy for strategy execution
- financial measures.

The extent to which boards actually discussed the information received (as referred to above) was also measured using a 5 point scale, where 1 = none; 2 = little/barely; 3 = average/moderate; 4 = considerable; 5 = to the greatest extent.

The nature and extent of board involvement in helping to formulate various aspects of the corporate strategy was measured by asking respondents to indicate (using a five point scale, where 1 = not at all; 2 = little/barely; 3 = occasional/moderate; 4 = considerable; 5 = to the greatest extent) their level of participation in the development of the following components of corporate strategy:

- mission statement (i.e. a statement of the relationships the organisation wishes to have with its key stakeholders)
- vision statement (i.e. a massively inspiring, overarching, long term goal or MIOLT)
- statement of company values (i.e. ethical and moral principles)
- corporate objectives (used to quantitatively/numerically measure progress against the mission, vision and values)
- corporate level plans to achieve the objectives.

The time commitment boards make to their organisation's corporate strategy and strategic planning process was measured by asking respondents to indicate

- the number of meetings of the full board that their organisation has each year
- the number of meetings of the full board spent discussing the organisation's corporate strategy each year
- the estimated average number of hours spent discussing the corporate strategy in each board meeting
- the estimated number of hours spent each year outside of board meetings independently reviewing the overall corporate strategy
- the use of a formal retreat set aside to discuss strategic issues
- the length of the special retreat to discuss the strategy in 'number of hours'
- the use of a formal strategic planning committee.

Satisfaction with its strategic participation was measured by asking respondents to indicate (using a ten point scale, where 1 = not at all and 10 = to the greatest extent) how satisfied their boards were with the board's level of involvement in the strategic planning process

For each variable, the state of current practice was assessed using frequency analyses. Chi-Square Tests were then conducted for each variable to establish the probability of these frequencies occurring by chance. In many instances, the chi-square statistics indicated that the respondents' intra-item scores were not likely to have occurred by chance i.e., that the differences between values were significant for each question. However, this was not the situation for all cases due, most likely, to the very small sample size and sparse number of cases per cell.

3.3 Data analysis

Descriptive statistics and frequencies were calculated for each item measured. The nature and the degree of the relationships among the variables measured was then determined using Spearman Rank correlation analysis. A one tail analysis was used to determine significance as we hypothesised in advance only positive relationships among our variables of interest.

4 Findings

4.1 Frequencies

Financial performance. Table 1 shows the frequencies for our measure of board satisfaction with firm financial performance. This table indicates that most respondents thought their boards were only moderately satisfied with their firm's posted results (i.e., the median score was seven out of ten).

Table 1 Board satisfaction with the organisation's financial performance

	Frequencies (%)										
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	
Variable	*Not at all satisfied*									*Extremely Satisfied*	*Median score*
Satisfaction with financial performance	0	0	5.0	10.0	10.0	20.0	25.0	10.0	10.0	10	7

Information received. Table 2 provides the frequencies for our measures concerning the type and quantity of information received by the board. The area where boards appear to be receiving the greatest amounts of information concerns financial data and measures. After that, the topics where there was felt to be considerable amounts of information made available were: planning assumptions, major strategic alternatives considered and rejected; and rationales for the proposed strategy. The respondents answers suggest that where other types of strategic information is concerned (i.e. external environment assessment, internal resource analysis, business entry/exit data, risk analysis and, to some extent, organisational alignment considerations), the amount received could be classified as only 'moderate/occasional'.

Table 2 Type and quantity of board information received

	Frequencies (%)					
	1	*2*	*3*	*4*	*5*	
Board information received	*None*	*Little/ barely*	*Moderate/ occasional*	*Considerable*	*To the greatest extent*	*Median score*
External environment assessment	25	10	45	20	0	3
Internal resources analysis	10	15	45	25	5	3
Entry and exit from major business arenas	15.8	5.3	42.1	26.3	10.5	3
Risk analysis	5	15	40	25	15	3
Planning assumptions	5	15	15	50	15	4
Major strategic alternatives considered and rejected	10	10	25	40	15	4
Rationales for the proposed strategy	5	5	35	40	15	4
Organisational alignment with the strategy for strategy execution	5	10	35	35	15	3.5
Financial measures	0	0	25	20	55	5

Extent of discussion. Table 3 supplies the details concerning our respondents' views on how much of the strategic information received is actually discussed during the board meetings. The data in this table gives the impression that, in most respects, the nature and degree of board deliberations parallels the type and quantity of information received. More specifically, the topic receiving the greatest amount of boardroom attention is again the financial data and measures. And two areas appeared to generate 'considerable' discussion: strategic rationales and major strategic alternatives. Interestingly, two information areas seemed to be discussed relatively less than the amount of information received in the board package (i.e. planning assumptions and organisational alignment) and, as with all other subject areas, were talked about only to a moderate degree.

Table 3 Extent of discussion concerning the board information received

Board information dicussed	*Frequencies (%)* 1 *None*	2 *Little/ barely*	3 *Moderate/ occasional*	4 *Considerable*	5 *To the greatest extent*	*Median score*
External environment assessment	21.1	21.1	42.1	10.5	5.3	3
Internal resources analysis	5.3	15.8	42.1	31.6	5.3	3
Entry and exit from major business arenas	16.7	22.2	16.7	33.3	11.1	3
Risk analysis	5.3	21.1	26.3	26.3	21.1	3
Planning assumptions	5.3	21.1	26.3	21.1	26.3	3
Major strategic alternatives considered and rejected	10.5	15.8	21.1	36.8	15.8	4
Rationales for the proposed strategy	5.3	10.5	31.6	47.4	5.3	4
Organisational alignment with the strategy for strategy execution	5.3	5.3	52.6	26.3	10.5	3
Financial measures	0	10.5	21.1	15.8	52.6	5

As a secondary analysis, we decided to correlate (using Spearman Rank statistics) our ‘board information’ quantity measures with each of the corresponding ‘board discussion’ measures. The results, indicated that, without exception, there were highly significant degrees of association between the quantity of information received and the extent to which the information was eventually discussed.

Board involvement in helping to formulate various parts of the corporate strategy. Table 4 shows the distribution of scores that were received for each of our questions pertaining to board participation in the development of corporate mission, vision, values, objectives and plans. The results indicate that boards seem to participate quite heavily in all aspects of the corporate strategy. Regardless of the strategy component, board involvement dominated the ‘considerable’ and ‘greatest extent’ categories of our measures and no median score was less than four. Interestingly, one component of corporate strategy formulation (i.e., the creation of the vision statement) seemed to be particularly enticing insofar as board members’ input appeared to be concerned. It scored the highest median of all strategy components and had over 50% of the respondents indicating that their boards participated in its development ‘to the greatest possible extent’.

Table 4 Degree of board involvement in helping to formulate various aspects of corporate strategy

Corporate strategy component	*Frequencies (%)* 1 *None*	2 *Little/ Barely*	3 *Moderate/ occasional*	4 *Considerable*	5 *To the greatest extent*	*Median score*
Board involvement in helping to formulates the: Mission statement	5	5	30	25	35	4
Vision statement	5	10	20	15	50	4.5
Statement of corporate values	10	15	20	20	35	4
Corporate objectives	5	10	25	25	35	4
Corporate level plans	10	15	15	35	25	4

The time commitment boards make to their organisation's corporate strategy and strategic planning process. Table 5 presents the distribution of both regular board meetings and meetings of the board at which the organisation's corporate strategy is discussed. The median number of board meetings was 6.5 – which translates into having board meetings approximately once every two months. The median number of meetings discussing the organisation's strategy was calculated to be two. Accordingly, based on this limited sample one might assume that an organisation's corporate strategy is specifically discussed by the board at approximately every third board meeting.

Table 5 Board meetings

Number of meetings	*Frequencies (%)* 1	2	3	4	5	6	7	8	9	10	11	12	13+	*Median score*
Regular meetings per year	5	0	10	5	5	25	5	5	5	0	5	15	15	6.5
Meetings at which the corporate strategy is discussed	10	45	25	5	0	5	0	0	0	0	0	10	0	2

When asked to estimate the amount of time (in terms of number of hours) typically spent by the board discussing corporate strategy (when time was allotted within the agenda), the answers ranged from one to six hours with both the mean and median being two hours while the mode was one hour.

The respondents also gave a response of between 0 and 100 hours when asked to estimate the amount of time that they spent independently reviewing their organisation's corporate strategy outside of boardroom meetings (median = 9 hours; mean = 16.2 hours; mode = 10 hours).

Seventy percent indicated that their organisation planned and held special board retreats designed specifically to review, discuss, evaluate and, if necessary, revise the strategy. The average amount of board time devoted to these retreats was calculated to be 20 hours. Overall, such retreat times ranged between 8 and 48 hours and the median time was 16 hours – or two full working days.

Interestingly, 70% of the respondents stated that they felt more time should be allocated to discussing the corporate strategy. And only 15% identified their board as having a strategic planning committee.

Satisfaction with the board's strategic participation. Table 6 presents the respondents' range of responses concerning board satisfaction with its involvement in corporate strategy. Generally speaking, the answers given indicate that the boards were moderately satisfied with a median of seven out of ten. However, over 40% of the respondents indicated their dissatisfaction by assigning a score of six or less.

Table 6 Board satisfaction with its involvement in the strategic planning process

	Frequencies (%)										
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	
	Not at all satisfied									*To the greatest extent*	*Median score*
Satisfaction with the board's involvement	0	0	5.3	5.3	10.5	21.1	15.8	5.3	26.3	10.5	7

4.2 Correlation analysis

When the scores for the two outcome measures (i.e. board satisfaction with its level of involvement in the strategic planning process and board satisfaction with the organisation's financial performance) were correlated with our other variables concerning board information, board discussion, strategy formulation and board commitment, a number of intriguing observations occurred (Table 7). The correlation analysis demonstrated that a 'high score' in *most* of the board information and board discussion variables – and *all* of the board strategy formulation and commitment variables – were found to result in positive significant relationships with our measure of board satisfaction with its involvement in the strategic planning process. In contrast, only a few significant correlations occurred with our measure for board satisfaction with financial performance. It is also particularly noteworthy that neither the inclusion nor discussion of 'financial information' significantly correlated with either of our performance outcome measures.

Table 7 Board variable Spearman Rank correlation with performance

Board variables	*Outcome/performance measures* — *Board satisfaction with its involvement in the strategic planning process*	*Outcome/performance measures* — *Board satisfaction with the organisation's financial performance*
Board information:		
External environment assessment	n/a	n/a
Internal resource analysis	0.449**	n/a
Entry/exit from major businesses	0.697****	n/a
Risk analysis	0.720****	n/a
Planning assumptions	0.615***	n/a
Major strategic alternatives	0.552***	0.495***
Rationales for the proposed strategy	0.353*	n/a
Organisational alignment	n/a	0.403**
Financial measures	n/a	n/a
Board Discussion:		
External environment assessment	n/a	n/a
Internal resource analysis	0.308*	n/a
Entry/exit from major businesses	0.580***	n/a
Risk analysis	0.599***	n/a
Planning assumptions	0.569***	n/a
Major strategic alternatives	0.504**	0.409**
Rationales for the proposed strategy	n/a	n/a
Organisational alignment	n/a	n/a
Financial measures	n/a	n/a
Board involvement in Formulating:		
Mission statement	0.374*	n/a
Vision statement	0.500**	n/a
Statement of values	0.439**	n/a
Corporate objectives	0.446**	n/a
Corporate-level plans	0.555***	n/a
Board time commitment		
Number of regular board meetings	0.726****	n/a
Number of regular board meetings discussing strategy	0.327*	0.371*
Amount of time discussing corporate strategy at regular board meetings	0.411**	n/a
Amount of time independently reviewing	0.716****	n/a
Time allocated for special strategy retreats	0.567**	n/a

Legend: One tail test.

*$p < 0.10$.

**$p < 0.05$.

***$p < 0.01$.

****$p < 0.001$.

5 Discussion and conclusions

With such a very small sample size, it would be misleading and irresponsible to generalise from the current set of observations. Consequently, there will be no extensive commentary on the findings until they are supported by a larger and broader spectrum of respondents.

Nevertheless, the preliminary findings presented in this paper tempt some brief and tentative observations – which readers are cautioned to use more as speculations and musings. As additional data is obtained, it is hoped that that they may eventually become more authoritative statements.

- The data presented in Tables 2 and 3 show that while boards receive and discuss all sorts of 'strategic information', there is no question that, currently, financial measures dominate! This latter item received the highest ratings of all the information and discussion scores. But financial information is probably the least valuable component of a board member's strategic information requirements (see point 2 below) and it points to a major shortcoming among boards as they try to engage with their managements in charting the future course of their organisations. Moreover, there appears to be little headway gained (and quite possibly some slippage relative to the McKinsey 2002 Board survey) in terms of a board's attention to 'organisational risks'. Approximately 60% of respondents rated the quantity of information received on this strategic component as either moderate of less.
- The fact that financial information and discussion is one of the least valuable items to board members is driven home by the findings among the correlations presented in Table 7. Increases in most of the other information and discussions items were associated with increases with our measure of board satisfaction – but not the component of 'financial measures. Accordingly, if boards wish to improve the level of their participation in the strategic planning process (and their satisfaction with it), they should reduce their discussion of the financials and increase it in the other areas.
- According to Table 4, most boards claim to already be quite involved in their organisation's strategy formulation process. For each of the five aspects of strategy investigated, the respondents indicated that, in over 60% of the cases, they were involved to a 'considerable' – or greater – extent. This is good news and shows that boards have not completely abrogated one of their primary responsibilities for helping to set the direction of their enterprises. The bad news, however, is that approximately 40% are still not highly engaged which, in turn, makes one wonder what they are actually doing once they get inside their board rooms.
- Boards appear to currently be performing their strategic governance role in the course of a couple of hours at every third board meeting – and supplemented by a two day strategic retreat. By their own admission, however, respondents indicated that boards need to spend much more time on their organisation's corporate strategy.

- Perhaps it is for the above reasons that our sample of respondents indicated they were generally less than highly satisfied with their involvement in the strategic planning process. Yet, the correlations of Table 7 further indicate that the more boards increase their involvement in formulating all components of an organisation's strategy (i.e. mission, vision, etc.) and increase the amount of time devoted to corporate strategy, the greater their satisfaction. Accordingly, boards should spend more time discussing their corporate strategies and discussing those parts that add the most value. Of course, for this to happen, they need to receive the right types and quantities of information.
- Few of the strategic variables of interest in this study correlated with our measure of 'satisfaction with financial performance'. This is most likely due to the fact that there are other intervening variables which need to be considered in order to make the linkage between board practices and performance. Nevertheless, it was instructive to observe that of all the variables listed in Table 7, those connecting with performance were highly 'executional' in nature. In particular, the more a board received information relating to 'strategic alternatives' and 'organisational alignment' (and discussed those alternatives), the greater the association with financial performance satisfaction.
- Moreover, just 'meeting more as a board' seems to play a role in increasing satisfaction with performance. Consequently, for those arguing that there is no need to increase the amount of time that boards spend meeting, the evidence seems to be pointing in the opposite direction. Boards, therefore, need to get more involved with their managements and organisations – not to take on the duties of management, but to increase the heat and enhance executive decision making – particularly where the organisation's corporate strategy is concerned. After all, isn't that what good corporate governance is all about?

Acknowledgements

The author wishes to express his appreciation to Mr. Patrick Accadia, BCom who served as his research assistant during the data collection phase of the current project.

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Exhibit 1: Constructive involvement: board and management roles and responsibilities for strategic plans and planning (*Twenty Questions for Directors about Strategy*, 2003)

Strategic planning activity	*Management*	*Board*
Developing a strategic planning process	X	
Assessing and approving the strategic planning process		X
Developing the mission, vision, and values[(1)]	X	
Assessing and approving the mission, vision and values		X
Developing the objectives	X	
Assessing and approving the objectives		X
Identifying the business arenas	X	
Assessing and approving the business arenas		X
Data collection and analysis with respect to the strategic plan	X	
Preparing the written strategic plan	X	
Assessing and approving the strategic plan		X
Scheduling strategic planning and strategy review meetings	X	
Preparing operating plans	X	
Preparing budgets	X	
Approving budgets		X
Preparing reports on the organisation's strategic progress and accomplishment of strategic objectives	X	
Monitoring the execution of the strategy and its achievement		X
Approving changes to the strategy as warranted		X

[(1)]Recent research suggests that superior organisational performance and innovativeness occurs when boards are more active participants in the development of these strategic documents.