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Choosing the Firm's Future: The Role of the Board of Directors in Corporate Strategy

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Abstract

Many shareholders – including institutional investors, family offices and private equity firms – expect boards of directors to discuss and support the firm's strategy and explain how the company creates value for the long term. Beyond legal duties or generic recommendations for codes of corporate governance, the board of directors is becoming a central player in a company's strategic thinking and decision-making.

A good, coherent strategy helps the long-term orientation of companies and their potential for value creation -- a central theme for corporate governance and boards of directors. There cannot be an effective monitoring of top management by the board of directors if there is not a clear strategic framework to clarify the company's unique selling point, the resources and capabilities it needs to develop, and how its business model supports this strategy. A board can make isolated strategic decisions, but without a clear, comprehensive strategic framework, the board can neither properly monitor top management performance, nor develop the firm for the long term.

Technological disruption, de-globalization, the recent pandemic and the global economic crisis that it has engendered have put additional pressure on boards of directors to take on a strategic role. Focusing on the field of strategy, in this paper I discuss the clinical cases of various companies that have displayed a remarkable combination of effectively strategic boards of directors, good management and sustainable economic performance. I introduce a framework for boards of directors to reflect on strategy and make strategic decisions. I also present four basic profiles of boards of directors in dealing with strategy: the passive board, the interactive board, the entrepreneurial board and the collaborative board.

Keywords: Corporate strategy; Corporate governance; Boards of directors

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1. Introduction: The Role of the Board of Directors in Strategy

On February 10, 2017, Paul Polman, the CEO of Unilever, received a letter from Carlos Brito, the CEO of Kraft Heinz. It expressed Kraft Heinz's desire to launch an unsolicited bid for all Unilever shares, with the goal of merging both companies.

Since 2009, Unilever[1] had been going through a successful transformation process. Under Polman's leadership, the company had adopted the Unilever Sustainable Living Plan (USLP) in 2010, an initiative that brought about a fundamental change in the Unilever approach to product development, the sourcing of raw materials and its carbon footprint. With the explicit support of its board of directors, Unilever adopted ambitious environmental, health, social and financial goals in its strategy, which were integrated into the firm's business model in a consistent way. Unilever had become a business champion of promoting a multi-stakeholder strategy with a holistic approach to offer shareholders a good financial return and manage the company for the long-term by creating value for all stakeholders.

In the aftermath of the 2008 financial crisis, Unilever performance was strong and above average for the fast-moving consumer goods industry. But by 2017, Unilever faced many challenges, including improving efficiency and financial performance; developing new products that targeted younger generations with different preferences; and fulfilling social and environmental commitments.

Balancing financial and non-financial goals is always difficult for any company. Unilever had been ambitious in setting both types of goals and was delivering in those areas. It had become a leader among a new generation of companies trying to combine business efficiency with positive social impact. The attempted takeover by Kraft Heinz came as a big surprise not only to Unilever's management and board of directors, but also to the business community. If Unilever was doing well while making a deep social impact, what could be the future for other companies taking this kind of approach?

The takeover proposal presented a great opportunity for Kraft Heinz, as well as for its main shareholders: 3G, the private equity group founded by three Brazilian investors; and Warren Buffet, who had worked with 3G in other mega-deals, including buying Heinz and merging it with Kraft later on. The operation made sense for Kraft Heinz, as it would allow it to diversify geographically and expand outside the United States, and strengthen its position in emerging markets, where Unilever held a leading position. It could also create larger economies of scale in purchasing, manufacturing, advertising, operations and technology.

Differences between Kraft Heinz and Unilever, however, went beyond their distinct approaches to business strategy, corporate culture and international reach; Unilever focused on product innovation, while Kraft Heinz prioritized cost cutting and efficiency. Unilever was a global company, with a large presence in emerging markets; Kraft Heinz was a strong company in the U.S. market. Unilever was making a huge commitment to having a zero carbon footprint and integrating sustainability into its business strategy; Kraft Heinz was not known for its concern for the environmental impact of its operations. Nevertheless, a good company can turn those differences into opportunities and create value through a merger.

[1] A detailed description of Unilever's strategy since 2009 and the Kraft Heinz takeover bid is presented in Canals (2019). This section is based on this case.

In addition to these differences, in contrast with Kraft Heinz, Unilever was focused on creating new brands and products that connected with younger consumers and created emotional links with them. Unilever had a highly diverse community of employees, many of whom believed in Unilever's unique culture and approach.

Unilever and Kraft Heinz also had different business models, although both had been performing well financially. Was it possible to successfully combine two companies with such different sets of values? Was it possible to merge the long-term orientation that Unilever had in product development, new customer needs and concern for environmental and social factors, with Kraft Heinz's short-term focus on cost targets and operations efficiency? If Kraft Heinz eventually acquired Unilever, would Unilever be allowed to maintain its values and culture?

Unilever's board of directors, led by its chairman Martjin Dekkers, was in a delicate position. The members had the responsibility to either accept or reject Kraft Heinz's offer, while taking into consideration not only their own personal views and values, but also the value that Unilever shareholders and other stakeholders would derive from the transaction. Unilever's board was collegial, and Paul Polman had worked with board members to make sure they understood the company well in order to support its culture and values as well as its business strategy. They also knew that if a potential suitor offered a high price, the pressure on the board of directors coming from shareholders and the financial community would be enormous. Would Unilever and its business model eventually end with this takeover attempt?

Unilever's board had several meetings between February 10 and February 16 to discuss the Kraft Heinz offer and reflect on an answer. The board was at a crossroads. It was clear that, in these circumstances, the views of the board about the future of the company, its positioning in the industry and the sustainability of its strategy would come into play.

A good board of directors will understand not only the financial proposal coming from the bidder and the advice of its financial and legal advisors; it will also have a solid grasp of the company's strategy, its business model, its role and positioning in its industry, the capabilities of its people to execute strategy and connect with consumers, and the sustainability of its own financial position. A good board of directors can delegate some key functions to specialized professionals, such as for audit, legal or financial advice, but other decisions – those which will define the future of the company – have to be made by the board itself. Accepting or rejecting a hostile takeover, or appointing or firing a CEO, are exceptional decisions that require board members who understand the company and its strategy.

On February 17, Unilever's board decided not to hold conversations with Kraft Heinz regarding a potential merger and rejected its bid. The board concluded that it was in the best interests of Unilever's shareholders and other stakeholders to do so. Holding conversations with Kraft Heinz could have increased the share price the U.S. company would have been willing to pay for acquiring control of Unilever. However, Unilever's board understood well that the two companies had different cultures and principles.

Merging the two organizations would create a company unable to make the environmental and social impact that Unilever had made fundamental priorities. In addition to the share price Kraft Heinz offered being low, the board also believed the merger did not make sense. To make the right decisions in these cases, board directors must be very knowledgeable about the firm's strategy, how the firm creates value, how culture shapes the firm, how the firm attracts and retains talent, how customers feel connected with the firm, and how its strategy is perceived by the financial community. Only a board of directors truly committed to the company's long-term development, with a solid understanding of the company and its industry can make such decisions effectively.

Kraft Heinz and its key shareholders – 3G and Warren Buffet – understood Unilever's answer and cordially announced that they respected Unilever's board decision and would not proceed further with the takeover bid.

This event sheds light on the role of the board of directors in setting the company's strategy and the complexity of the challenge for board members, who do not work full-time for companies. The role of the CEO and senior managers in strategy has a long tradition in the field of strategic management. Unfortunately, the role of the board of directors in strategy-making has received less attention. Codes of corporate governance and other governance regulations may apply to the board directors' duties of care and loyalty in cases like this one, but how they play out in reality is a more complex matter.

The need to think about long-term development and strategy has become even more imperative in light of digital transformation, decarbonization and trade wars, in addition to the recent pandemic and the resulting economic crisis. It has become clearer that the board of directors has – with the duty of care – the specific responsibility to help develop the company for the long-term. This major effort requires the board's involvement in debating and shaping the company's strategy.

In this paper, I discuss the role of the board of directors in the firm's strategy and present a framework for boards of directors to deal with business and corporate strategy, beyond financial analysis and forecasting. In Section 2, I present different approaches to how the board can deal with strategy. In Section 3, I develop a strategy roadmap for boards of directors to help them co-create the future of the firm by working on strategy with the CEO and the top management team. In Section 4, I present some guidelines on the strategy process, which differ from the concept of strategy itself, in particular, how the board of directors can work with the CEO and senior managers when making strategic decisions. Finally, I present and describe a typology of board-of-director profiles regarding the boards' role in strategy.

2. Approaches to the Role of the Board of Directors in Strategy

Most investors today – including institutional investors, family offices, pension funds, and private equity firms – expect boards of directors, as well as CEOs or CFOs, to discuss and eventually support the firm's strategy. They want to make sure that boards discuss and can explain how the company creates value for the long-term. Beyond legal duties or vague recommendations in codes of corporate governance, investors expect the board to drive a company's strategic thinking.

This view of the board is coherent with the responsibilities of top management, as their role is understood in the field of strategic management. The board is not explicitly considered the central party in strategic decisions, although there have been some notable exceptions. They include, among others, Pfeffer (1972), Andrews (1971), Vance (1983), Pearce and Zahra (1991), McNulty and Pettigrew (1997, 1999), Carter and Lorsch (2004), Pye and Pettigrew (2005), and Finkelstein, Hambrick and Cannella (2009). More specifically, McNulty and Pettigrew (1997), and Finklestein, Hambrick and Cannella (2009), among others, recognize that, beyond its legal responsibilities, the board of directors is the governance body that acts as the top corporate decision-maker. As such, it is responsible for decisions that will help the company develop in the long term, including strategic ones.

In this section, I will briefly review the role of the board in contributing to the firm's strategy in the fields of corporate law, corporate finance and strategic management.

2.1. Strategy and Corporate Law

Most Western corporate legal systems require that the board of directors have some key corporate governance functions stemming from the legal duty to monitor the CEO and senior managers on behalf of shareholders. Shareholders do not get involved by themselves in the governance of the corporation. They usually appoint a board of directors to oversee the company's governance, monitor top managers' decisions and make sure that senior managers adopt those decisions in line with shareholders' interests, as many of them do not want to get involved in this role. There are some exceptions to this rule including start-ups, which may be backed by venture capital firms; private equity firms; and family businesses, whose boards often include the significant presence of founders and investors.

Following the tradition of corporate law, the board's functions are focused on monitoring top management and overseeing the performance and evolution of the company. The Cadbury Code in the UK (Cadbury *et alia*, 1992) represented a departure from that orientation. It signaled a major effort to update the functions of the board of directors in coherence with the changing needs of companies and the specific value that good governance can create for the firm's long term. There was a new emphasis on the role of the board beyond monitoring management. It opened up discussions about the fact that other stakeholders have rights, not just the shareholders. Thus, the board's collaboration with different stakeholders is necessary for the long-term development of the company.

The mediating role of boards of directors between shareholders, the top management team and the rest of the organization (Blair and Stout, 1999) is a critical function in corporate governance. Some writers specializing in corporate law (Bainbridge, 2018; Gilson and Gordon, 2019; Lipton, 2017) assume that boards should oversee the company's strategy one way or another. Nevertheless, the board's specific role in strategy and how this function is carried out is not clear. The board should help point the company toward a long-term horizon and make decisions that can create value in the long term. According to surveys of board members led by professional services firms, orienting the company towards the long-term[2] is recognized as best practice.

This notion is becoming important as companies and their boards of directors and shareholders are increasingly accused of making decisions based on "short-termism."[3] While there is an academic debate on whether public companies are too focused on the short-term, there seems to be a consensus on the need for companies to create value for the long term. The UK unified Corporate Governance Code (2018) also takes this approach. The debate on activist shareholders and the hypothesis that they create value for investors in the short term[4] also puts pressure on the need for companies to support strategic decisions that create value for the long term. The mediating role of boards in this specific context is most relevant.

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[2] See Barton and Wiseman (2014) and Charan, Carey and Useem (2014). Some initiatives also highlight this long-term orientation, such as Focus Capital for the Long-Term, created by the Canada Pension Plan Investment Board and McKinsey.

[3] There is a heated debate on whether capital markets and boards of directors are led by short-termism in their decisions. See Roe (2018) defending the view that US public companies are not particularly focused on the short term. See Strine (2017) and Davies *et alia* (2014) for arguments on the short-term horizon of listed companies.

[4] Bebchuck, Brav and Jiang (2015) and Becht, Franks, Grant and Wagner (2017) observed value creation by activist shareholders. See DeHaan, Larcker and McClure (2019) for a more skeptical view of the role of activist shareholders in creating shareholder value for the long term.

2.2. Strategy and Corporate Finance

The second scholarly tradition examining the role of boards of directors in strategy is corporate finance. In this field, most authors highlight the problem that public corporations face in terms of the separation of ownership (shareholders) and control (senior managers). It proposes that principals (shareholders) should design mechanisms to control key agents, such as boards of directors and CEOs. A vast stream of research highlights different incentives that can be designed to ensure agents behave in a way that maximizes the value of shareholders' investments (see Jensen and Meckling, 1976).

In the corporate finance tradition, the role of strategy is mostly focused on capital allocation, diversification and decisions over mergers and acquisitions. It is subsumed into the overall function of boards in monitoring managers' decisions and the overall risk supervisory function of boards of directors. It does not include any reference to the content of strategy or the firm's business model.

In this field, the dominant view is that strategy and strategic decision-making by the board should be directed towards maximizing shareholder value (Ross, 1973; Jensen and Meckling, 1976). From a decision-making viewpoint, this perspective is clearer, although, as some authors have discussed (see, among others Simon, 1976, 1991; Andreu and Rosanas, 2012; Hart and Zingales, 2017), the definition of shareholder value maximization is complex. It is extremely difficult to prove in a bounded rationality context (Simon, 1991) that every decision taken will maximize shareholder value. Moreover, shareholders are diverse, and have different time horizons and expectations. As a result, the meaning of maximizing value is different for everyone.

The time horizon of different shareholders is relevant, because in order to keep creating value for shareholders in the long term, the company needs to invest in people, technology and product development. These investments may decrease cash flows and dividends in the short-term. Companies are not only about finance in reality, although finance plays an important role in the firm's management and governance. A case in point is mergers and acquisitions, an area in which finance plays an important role, but where other considerations such as execution, leadership and integration of people and cultures are just as important for success.

2.3. A Wider Role for the Board of Directors on Strategy: Contributions from the Field of Strategic Management

Corporate law and corporate finance offer useful, but partial approaches to the role of the board of directors on strategy. They do not offer guidelines on how boards of directors should work effectively. Shareholder value is the outcome of many business decisions. Creating economic value is a desirable outcome, but needs to be understood in the context of how a company defines its unique customer value proposition in a certain industry, how it will try to create value, through which specific decisions and in what period of time. This outcome can be partially attributed to strategic decisions and their implementation. The structure of the industry and the performance of the overall economy also have an impact on economic performance. The board of directors and the senior management team need to understand and define how economic value can be created sustainably. Otherwise, the company may reach those objectives, but through processes that are unrelated to the boards' decisions.

The firm's strategy expresses the principles, policies and decisions on how the company plans to meet its goals and serve customers. A firm creates sustainable value by offering an attractive customer proposition, designing an effective business model and organizing its activities to serve customers in a unique way. A successful strategy requires some key decisions on what makes a company different and unique in its industry. Critical contributions from the strategic management field to this debate are diverse. They include, among other things, early contributions to understanding industries and their effects on strategy (Porter, 1980 and 1996; Ghemawat, 1991; McGahan and Porter, 1997; Rumelt, 1991 and 2011); the dynamics of strategy over time (Ghemawat, 1991; Gavetti and Rivkin, 2007); the role of process in strategy (Andrews, 1971; Donaldson and Lorsch, 1983; Vance, 1983; Mintzberg 2007); the resources and capabilities' view of strategy (Barney, 1991; Helfat and Peteraf, 2003; Peteraf, 1994; Teece, Pisano and Shuen, 1997); the business model perspective (Casadesús-Masanell and Ricart 2011, 2010; Johnson, Christensen and Kagermann, 2008; Zott and Amit, 2012, 2010); and the role of the board of directors in strategy and strategic decision making (Finklestein, Hambrick and Canella, 2009; Hambrick, 2005 and 2020; McNulty and Pettigrew, 1998; and Wiersema, Nishimura and Suzuki, 2018). These different, although complementary, perspectives describe the essence of strategy, why it is so relevant for corporate governance, and why the board and the top management team should work on it in a collaborative way.

A focus on shareholder value without the board's deep understanding of the firm's strategy and how economic value can be created is not a useful perspective. This is the case in companies in industries undergoing a radical transformation. Boards need a thorough comprehension of the firm's competitive advantages and competitive positioning, of how to transition from a set of obsolete capabilities to competing with a new set of capabilities for the future, and of how to develop successful business models. Companies affected in an intense way by the digital revolution are a clear example of this situation. The European banking industry provides some interesting cases. Deutsche Bank, the largest German bank, one of the leading banks in Europe, and one of the few that for many years was able to compete in some banking segments with US banks, faced some of those strategic challenges after the 2008 financial crisis[5].

In the 1990s, Deutsche Bank had become the paradigm of a universal bank, competing both in the retail banking and investment banking industries. During the preceding 20 years, Deutsche Bank had invested in people and assets to grow in investment banking. Unfortunately, the 2008 financial crisis and the changing nature of activity afterwards made those efforts almost irrelevant. Since the crisis, Deutsche Bank has suffered from a deterioration in value of some of its assets, particularly those related to investment banking activities and the real estate business, with higher capital requirements and a substantial decrease in profitability and equity value. The German bank had more difficulty in adjusting to the new situation than its US peers. Moreover, the bank's retail business unit in Germany was not competitive. Its retail bank business in other countries was in better shape but was too small to have a significant impact on the bank's overall performance.

After 2010, Deutsche Bank's board of directors and top management team had been trying to steer the bank towards strengthening the investment banking side of the business to create a European champion that could compete with US banks. Changes in the top leadership position – with three CEOs between 2014 and 2019 – made this transformation process more complex. After a failed merger attempt with Commerzbank in the spring of 2019 to create a German champion, the bank focused on getting rid of most of its investment banking, and improving capital allocation and the efficiency of the retail bank. In the meantime, the challenging nature of the problems that the bank was facing deterred some investors.

[5] See, for a brief summary, www.ft.com, "The day Deutsche Bank's boss decided on a radical solution," July 21, 2019.

There is no doubt that both the bank's board and the top management team were trying to improve the bank's efficiency and profitability, and increase shareholder value. However, these goals are useless without a well-defined and smoothly executed strategy. A deeper reflection on strategy and a better understanding at the board level of the actions that can drive economic value in the long term are indispensable.

A coherent strategy helps guide the long-term orientation of companies and their potential for value creation – a key theme for any board of directors. This is why corporate strategy should become a central pillar in good corporate governance and why boards of directors should play a key role in this. There is not an effective monitoring of top management by the board of directors if there is not a clear framework that explains what makes the company different from other firms in its industry, what resources and capabilities it has and how the business model supports this strategy. A board can make isolated strategic decisions, but without a clear, comprehensive strategic framework, the board cannot properly monitor the top management's performance.

Boards of directors often have trouble dealing with strategy in an effective way for a variety of reasons. The first reason is that the board's role in strategy has not been clearly recognized either by regulators or investors. Until very recently, the role of boards in most listed companies was to give a stamp of approval to management's proposals. The second reason is that there might be some confusion on the role of senior management and the role of the board in strategy. Strategy-making is the responsibility of the CEO, who should know the business well. The role of the board, in practical terms, has to be consistent with the reality of the full-time job of the senior management team. The fourth reason is that the board's collegiality, the nature of its work and the part-time dedication of its members to the company they serve, makes decisions – such as those related to strategy – more difficult to articulate. Nevertheless, those issues can be overcome by a competent board.

The board of directors should help the firm create long-term value. As a result, it should understand, discuss and approve of the CEO and senior management's view of the firm's strategy, business model, competitive advantages and the sustainability of the value creation process. Since those decisions involve commitment of resources, strategic investments and other relevant management decisions that require the board's engagement, the board should also be involved in the reflection, discussion and eventual approval of the firm's strategy.

The Cadbury Code (Cadbury *et alia*, 1992) highlighted the role of boards in the long-term orientation of companies as an expression of good corporate governance. An increasing number of codes of corporate governance around the world have adopted this perspective. Today it is considered good practice to include the interests of other stakeholders, not only shareholders, in the value creation process. There is not a unified perspective on how to balance the interest of shareholders and other stakeholders. Nevertheless, the growing importance of impact investment by family offices and other asset managers, and the relevance of ESG (Environmental, Social and Governance) dimensions in the practice of large asset managers in investment decisions are signals that key stakeholder's perspectives should be taken into account by the board of directors when debating and approving the firm's strategy. This fact illustrates the importance of a strategic framework that makes sense of the different strategic options and trade-offs that the board of directors need to consider.

This is also consistent with what asset managers have recently been sharing with boards of directors about the need to discuss, understand and approve the company's strategy and make sure that boards provide a framework for long-term value creation. Competitive advantage should help create value sustainably for the long term and strategy contributes to making the company unique and different. In this effort to deal with strategy, the board of directors needs to work in collaboration with the senior management team. Top managers should design not only strategic plans, but a strategic framework that helps the company make good decisions for the long term. This is often initiated by the management team and discussed with the board of directors. Since the board has the final responsibility for the long-term orientation of the company and approving strategy, it should get involved not in strategy-making, but rather in strategy-shaping.

In the next sections, I will discuss the role of the board and the specific functions that the board can perform regarding strategy. The CEO and senior managers are the primary drivers of this task. They should discuss it with the board, and once approved by the board, should execute it. I will present a framework to help boards deal with strategy without overlapping with the primary responsibilities of the CEO and the senior management.

3. A Framework for Boards of Directors and their Role in Corporate Strategy

The quality of strategic thinking and understanding of the firm's business are indispensable capabilities for boards of directors to fulfill their responsibilities in the right way. An understanding of strategy and the major strategic issues that the company is facing is fundamental for boards of directors to reflect on long-term value creation (Palepu, 2012) and take seriously the duty of care that corporate law requires from board members. Without proper work on strategy and strategic decisions, fiduciary duties will not be met.

3.1. The Board of Directors and the CEO: Working on Strategy

In this section, I present the experiences of the board of directors of two international companies dealing with strategy and strategic decision making. The case of Cellnex offers a perspective from the spin-off of the telecommunication towers business of Abertis, a large infrastructure management company. It helps consider how the board of directors should think about its future growth. The case of Amadeus focuses on the growth in the US of one of the largest European software companies, and the concerns that boards may have when making acquisitions. These cases also shed light on the collaborative work between the board and the CEO on strategy.

3.1.1. Cellnex: A Growth Project

A useful illustration of what a board should do and what it should avoid is provided by the launch of Cellnex[6], a subsidiary of Abertis – the largest highway infrastructure management company in the world. The case also provides insights on the strategic thinking of its chairman, CEO and board.

In 2015, Abertis was a leading company in highway infrastructure management, with a stable cash flow, good profitability and a reputation for effective management. CEO Francisco Reynés had refocused the company around highways in 2010, selling business units less connected to the main business. One of the business units that Abertis had developed since 1999 was Abertis Telecom, a unit that mainly provided TV and radio signal emissions through communications towers in Spain. It also had a telecommunications towers business that had been acquired from Telefónica in Spain in 2012. Francisco Reynés and his team were trying to grow this business

[6] A full discussion on the creation of Cellnex, its relationships with Abertis, its corporate strategy, its IPO and future growth are discussed in Canals (2018).

unit, but it was becoming increasingly difficult to operate. The business profiles of the unit and that of Abertis differed. Abertis was a stable business, with low growth and high dividends. Abertis Telecom operated in a different industry. It could become a high growth business, with high investment and low dividends. The businesses would attract different types of investors.

Francisco Reynés and Tobias Martínez, CEO of Abertis Telecom – who had been leading the business unit since 2000 – were careful observers of changes in the telecoms industry. They started to discuss the potential of a new business unit focused on the management of telecommunications towers. Since telecoms operators were focusing more on content and attracting and retaining customers, the management of infrastructure was becoming less relevant for them. This had happened in the US in the late 1990s and early 2000s, with large telecoms operators selling off their infrastructure subsidiaries, and the emergence of new companies such as Tower Co. or American Tower, which became specialists in managing this type of infrastructure. Rapid developments in technology would also mean that telecoms operators would need additional investments to update the technological capabilities of their telecommunication towers. They also needed to get ready for the launch of 5G. Changes in technology meant telecoms operators no longer needed to own a large number of communications towers to guarantee quality coverage. Reynés and Martínez started to consider the possibility of growing Abertis Telecom by acquiring networks of towers from telecommunications operators and managing them more effectively.

In the summer of 2014, Reynés and Martínez came to the conclusion that it was the right time to separate the telecommunications business from Abertis, thereby creating a new company, and defining a new strategy and business model that differentiated the company. They also needed to find new shareholders that could support a business of this nature, with high growth, high investment and low dividends, and define a new governance structure.

The options that they considered to develop this new company included an IPO, a deal with a private equity firm or a deal with one of the US leaders in the industry. With their management teams, Francisco and Tobias went through a careful strategic process to analyze the evolution of the industry, customers' needs, competitors' capabilities, its own capabilities, and the opportunities that they might discover and pursue. It was a very early stage in the industry in Europe, with no significant independent players, since most of the traditional telecoms operators owned and operated towers businesses. This was an emerging industry, with no legacy, where deciding on an attractive new value proposition for customers and how to create value in a sustainable way was necessary. At the same time, the intense complexity of technological evolution, the dependence on future customers who were current owners of the assets and the capital requirements to invest in this new business created a context of high uncertainty.

Reynés and Martínez concluded that the way to grow the company in the long term would not be through a private equity deal or a merger with a US competitor. Instead, the option chosen would be to create a new company from the old Abertis Telecom and start a new venture. This presented a difficult decision for the board of Abertis. Board members were familiar with the highway management business, but not with telecoms, since Abertis Telecoms was a small unit within the parent company. This strategic approach involved a decision on how to grow a company in a high-tech context, very different from traditional infrastructures. It would also eventually entail an IPO for the new company. The board of Abertis would need to decide what type of control of the new company it wanted; the percentage of shares that it would like to hold, its presence on the new board of directors; and the corporate governance arrangements to help develop the new firm and attract the right type of investors.

It did not matter how brilliant the strategy was that Reynés, Martínez and their team had created for the future of Cellnex. They had to share and discuss it with the board of Abertis and work with its members, making sure that the board understood the challenges and could assess the different options in order to make a decision. In September and October of 2014, Reynés held individual meetings with each of the board members. He shared with them the opportunities and challenges of Abertis Telecom, the strategic guidelines that could maximize growth of the new company, the design of the IPO, the type of shareholders that the company would need, and the role of Abertis in it. Reynés combined these individual conversations with several formal board meetings set up to discuss the new project.

Once the strategy to make Abertis Telecom grow became clearer to most of the board members, they became supporters of the project. The next task for Reynés and Martínez was to convince the board of Abertis that it had to be both a reference shareholder, and substantially decrease its shareholdings in the new company. The new firm's success also required that Abertis be willing to share decision-making and voting power with large asset managers and institutional investors.

Step by step, Reynés convinced Abertis board members to design an IPO for Abertis Telecom, with Abertis holding about one-third of the shares. This would give stability to the share price and its evolution in the first few years of the new firm, and would send a clear signal of commitment to other shareholders. Reynés also convinced the Abertis board to set up a new board of directors, with a majority of external board members. Good corporate governance practices would be an attribute of the new company, with a majority of external, independent board members, most of them with international experience.

The separation of Abertis from the new company was emotionally painful for some Abertis board members. Essential ingredients in the successful launch of the project included close collaboration between the board and the CEO; the long-term orientation that Reynés and Martínez showed in all the discussions; and, finally, the respect for all shareholders and the common good of Abertis as a company and of Abertis Telecoms as a newly independent company demonstrated by the board members.

Cellnex was the commercial name of the new company. It successfully went public in May 2015. Between May 2015 and December 2020, the share price grew 480%, reflecting a clear strategy, excellent management, consistent delivery and effective communication policy with shareholders who truly valued the quality of governance and management of the new company and the clarity of its strategy and execution.

It's true that Cellnex was able to exploit a trend in the telecoms market in a very effective way. But it's also true that other companies in the EU tried to do this as well, yet were not as successful. In discussions with Reynés, Martínez and Cellnex board members, some dimensions of Cellnex's performance stood out.

The first was the quality of corporate governance - mainly in terms of the quality of the board members, their expertise, diversity and engagement, as well as the communication between the company and shareholders - as the new company delivered on its commitments. The relationship between a company and its shareholders is always important, but even more so when a company needs to increase its equity and combine it with debt to fund new investments to grow, as was the case for Cellnex between 2015 and 2020.

The second dimension was the quality of the relationships between the board, the CEO and the top management of the firm, as well as the quality of the debate on strategy issues. There was constant interaction between the board and the CEO, thinking through a well-defined strategic framework, sharing basic principles and discussing key themes, always with a long-term focus.

The third attribute in this venture was the clarity and uniqueness of Cellnex's strategy and the effectiveness of its implementation. Cellnex's strategy was not just successful; it had some noteworthy elements, which shed light on how to define and execute strategy successfully in a complex and uncertain environment.

The fourth dimension was the professional qualities of the senior management team, led by the CEO, and the members' capacity to deliver on plans communicated to investors. Clarity in strategy and the different messages to investors, along with consistency in the delivery, generate a virtuous circle which can become the strongest foundation of trust. In Section 3.1.2, I will briefly discuss the building blocks of a strategy discussion and the design of a strategic framework that the boards of directors can consider in working on strategy with the CEO.

3.1.2. Amadeus: Growth in the US

Amadeus was the leading global software company for travel and hotel services in 2020. It was a well-respected, consistent company in terms of performance and delivery of projects for its customers[7]. Its experience provides insights on some of the practices that the board should foster in order to work collaboratively with the CEO and the management team. Amadeus was a spin-off of four European airlines – Air France, British Airways, Iberia and Lufthansa – who created a software company to manage their booking system. The company went public in 1991, was acquired by a private equity firm in 2004 and went back to public capital markets in 2010. Between 2010 and 2019, under CEO Luis Maroto and non-executive chairman of the board José Antonio Tazón, the company had outstanding economic performance in new product development, talent development, growth and returns to shareholders. Amadeus had combined internal growth through innovation and internal venturing with selective acquisitions both to expand current business and enter new business.

Since 2010, its board of directors had adhered to international standards of governance and had demonstrated high levels professional competence. The board included many former CEOs of international companies (all of them external), independent board members and a high level of diversity. The board was aware of its duties, including a good understanding of the firm's strategy and changes in its industry, but also was conscious about the role of the CEO and his team in defining and executing strategy. This combination of awareness, understanding of strategy and collaboration with the CEO was evident in some of the deals that the company closed to acquire other companies between 2013 and 2019.

The leading role in these strategic decisions was played by the CEO. Maroto and his team worked simultaneously in four areas: The first area was speeding up growth in current services to clients and expanding some services and geographies. The second was the ongoing improvement in operational effectiveness, so that growth could be profitable and sustainable. The third was investing in internal new ventures that could speed up growth in new pathways developed internally or in partnership with external start-ups. The fourth was selective acquisitions that could give Amadeus a quick entry into new segments and markets.

[7] For a deeper discussion of the company and its recent evolution, see Masclans and Canals (2020).

The discussion of these acquisitions by the board of Amadeus provides interesting evidence of the collaborative work between the board and the CEO. The acquisition of TravelClick in 2018 offers some interesting insights (Masclans and Canals, 2020). It shows that the main issues and concerns that the board had on this deal were not financial issues. The board considered that the management team was fully aware of the financial constraints, presented clear financial scenarios and was ambitious, but prudent, in offering a reasonable price for the target company. The major concerns were about the potential integration of TravelClick, because it was the first large acquisition that Amadeus had made in a segment of the hotel software industry. Amadeus was already present in the hotel segment, with R&D, software development and commercial teams. The threat of organizational overlapping with existing operations was real and the board wanted to make sure that the top management team had a good plan to deal with this in an effective way. It had to do so while enabling Amadeus to retain the acquired company's key talent. People make a huge difference in any organization and in the case of a software company, people are even more important.

By placing emphasis on the implementation of the acquisition and the integration of both companies, the board of Amadeus signaled its concerns about the risks of the operation. At the same time, it also helped the CEO and his management team to refine its plans regarding the integration of both companies and nurturing key people from the acquired company. The board understood well the strategic and financial logic of the operation. The financial plans that the CEO and his team had prepared were reasonable. Financial dimensions tend to dominate the discussion in many board meetings regarding strategic decisions. It was remarkable that most of the Amadeus board's concerns had to do with people, culture, customer service, and the integration of both organizations. The collaborative nature of the relationship between the board and the CEO made financial decisions easy to understand and discuss.

3.2. A Strategic Roadmap for Boards of Directors

In this section, I present a framework (see Figure 1) that can be used by boards of directors for their work on strategy. It is based upon the experiences of Unilever, Cellnex, Amadeus and other clinical cases studied in this book.

Strategy-making is a complex issue for boards of directors. Most studies in the strategy area consider that strategy is ultimately the responsibility of the CEO and the top management team. There is a need to shift its focus onto the board of directors. Yet many board members lack sufficient time and understanding of the competitive dynamics of the company and its industry. It is important that board members understand these issues because they have a direct impact on the long-term evolution of the firm. They should seek to engage with senior management about strategy, without taking over the role of management. The proposed framework has several pillars that will be discussed in sections.

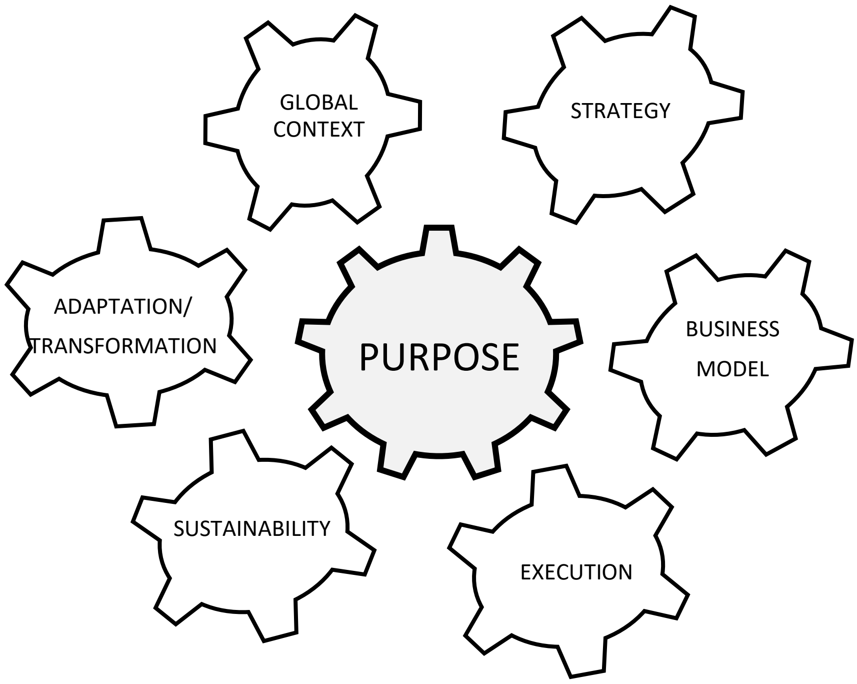
Purpose

The first element of the strategy roadmap for a board of directors is the firm's purpose (Mayer, 2018; Quinn and Thakor, 2019). Purpose may involve different dimensions and perspectives, but one is essential: purpose should offer an answer as to why a specific company actually exists and what specific customer needs it is trying to address. For this reason, purpose is at the heart of the strategy roadmap.

Reynés, Martínez and the top management team defined a corporate purpose for Cellnex: to create a telecoms infrastructure management company that would make telecoms operators more effective and eventually serve better the connectivity needs of end customers.

There are many ways to express the purpose of a company, and different perspectives to take into account. Cellnex's corporate purpose fulfilled the fundamental requirement when defining purpose. It started with the chairman, the CEO, the board of directors and the top management willing to launch the new company to do something that could have a positive impact on its customers, by enabling better connectivity. The Cellnex experience offers a useful reflection on why the company exists, helps project the company towards the future and aligns the interests of different parties. It also highlights the importance of identifying how a company can serve its customers in a unique way.

Figure 1
A Strategy Roadmap for Boards of Directors



Over the last decade, Unilever's purpose ("Making sustainable living commonplace") has influenced the firm's strategy, business model, product innovation, culture, hiring and development. In particular, its focus on sustainability and healthy products has boosted product innovation with this specific focus, by strengthening its brands and improving customer loyalty. Moreover, purpose has helped Unilever become an employer of choice among young professionals.

As Porter (1980) pointed out in his seminal work on strategy, industry structure determines the potential for profitability in an industry, as well as how the economic value that is created in an industry is eventually distributed among the different players (buyers, suppliers, customers or regulators). A competent board of directors should get to know the firm's customers and suppliers, and the firm´s current and potential competitors. Each one of these may influence the firm's economic performance in different ways and a holistic diagnosis of the industry is an indispensable element in any discussion of strategy.

For the past four decades, corporate growth in Western countries has been closely related to the process of international economic integration. The globalization of markets has created incredible growth opportunities for many Western companies in emerging countries since the early 1980s. Some companies have profited from this process and others have failed to take advantage of it. Understanding the slowing down of globalization over the past few years, due to ongoing trade wars and Covid-19 and their impact on some specific industries and operations, is also relevant for any board of directors, since it may constrain corporate growth in some industries.

The same can be said of some other major forces of change: technology, demographics, consumer behavior and government regulation. Economic, financial, social and technological trends have an impact on strategy and economic performance, particularly in the long term. Boards of directors need to understand these, be entrepreneurial, see opportunities as well as detect risks, and judge how they can affect the company, as previously discussed in the cases of Cellnex and Unilever. Boards of directors need to spend time discussing these trends and assess their likely impact on the company in the short and long term, while making sure that the senior management team works with a rigorous understanding of them.

Strategy and Strategic Choices

Strategy involves the careful identification of the trade-offs that a company faces in developing competencies and choosing between different alternatives to serve customers (Porter, 1996, Rumelt 2011, Montgomery 2012). The value of strategy lies in its potential to make the company unique and its capacity to differentiate a firm from others sustainably.

Board members should understand how the firm tries to serve customers, whether the firm's positioning is unique, whether it creates economic value, and whether it has the resources and capabilities to sustain it.

Strategy is not only a rational process of establishing the means to reach some goals. It also involves a sense of aspiration, related to the firm's purpose, and an entrepreneurial energy to undertake new initiatives (Canals, 2000). The Cellnex experience sheds some light on this. Reynés and Martínez were keen observers of the changes in the telecoms industry and realized that they could design a value proposition for their customers that was different and unique. If they acted with speed and agility, Cellnex could become one of the leading firms in Europe in terms of quality of service and scale. Fostering this entrepreneurial mindset was a natural outcome of the renewed sense of aspiration, in order to achieve collectively something greater than the initial business unit operating under the Abertis umbrella. This sense of aspiration – or what some authors call the company's vision (Collins and Porras, 1996) – provided them and the top management team with additional energy for translating the purpose into action in an entrepreneurial way.

Martínez and his team had many years of experience in the industry. They had worked with telecoms operators and knew what they needed and expected. They were also aware of the challenges: why a large telecoms operator would like to sell towers to a small company like Cellnex and eventually buy key services from it. They also understood the capabilities that Cellnex had and the reliability of the service that it could provide to customers.

The Cellnex board and top management had to make some central choices. They pondered the strategic choices for the new company which hovered around a few key issues. A key choice was whether Cellnex would be an end-to-end provider of services in telecommunications infrastructure management – including the management of the towers and other sites – or would just be a tower owner that would lease space to telecoms operators. The latter option was followed by US competitors. But Martínez and his team clearly realized that the company had the capabilities to offer a more sophisticated service that could better serve customers. Its customers could reduce their needs for capital, investment and operational expenses by spinning the towers off, not only from a financial perspective, but also from a management and operational perspective. A full, end-to-end service would be more complex for Cellnex, but would also make the company different, since they could agree on longer contracts with customers and manage a premium price for the services offered.

For Cellnex, achieving critical mass and being first was important because the number of towers in the EU was limited. But scale alone was not an advantage: the true advantage was scale combined with effective management and good delivery. These qualities were also the subject of discussions among senior managers, and between them and the board of directors. Clarity and transparency in the discussions, a candid approach to the different options, true interest in the best options for the company and a clear commitment by the top management team were key factors in convincing the board over the speed of growth, the rhythm of new acquisitions and the issuance of new equity and debt to finance those operations.

Business Model

The next pillar in the strategy roadmap is the business model: the firm's policies, assets and operations that make that model work. The business model is the way – the logic with which – a company operates and tries to create value for its stakeholders (Casadesus-Masanell and Ricart, 2012, 2010; Zoot and Amit, 2012; Amit and Zott, 2021). This notion is an evolution of the original concept of strategy suggested by Porter (1996): the creation of a unique and valuable position involving a different set of activities that should be internally consistent. The essence of strategy is to make these unique choices. The selection of the business model involves decisions on different policies, from purchasing to pricing and sales, as well as assets that the company plans to control and capabilities it needs to develop.

Johnson, Christensen and Kagermann (2008) explain that a business model should have four dimensions: a customer value proposition, a profit formula (a plan to generate revenues and a certain cost structure), key resources necessary to operate and key processes to govern. Once the value proposition for customers is clear and seems to be understood as valuable for customers, the company needs to make sure that it can organize the activities and operations effectively, offer the customer value proposition in an effective and sustainable way, and create value for all parties through its execution.

Cellnex developed a business model based upon several pillars: a clear value proposition for customers, technical capabilities to offer better services to its customers at a lower price, a focus on a specific step in the industry's value chain (data transmission), a well-designed and complete technical service (not just renting physical space in telecommunications towers, as some US competitors did) and the principle of neutrality in relation to all telecommunications operators. Cellnex was a pioneer in developing this new concept in its industry, becoming a different type of company.

The business model also helps understand better how a company compares with its peers, not only in terms of product positioning, but across the whole value chain, including at the level of vertical integration. The business model is a relatively new concept (Drucker, 1994), but companies that have been successful over the years have one. Firms that were or still are among the leaders in their industries, such as Unilever, Nestlé, J.P. Morgan, or Wal-Mart, among others, have developed very specific business models over the years that made their competitive positioning more sustainable. A strong business model is a source of advantages, although in times of change, it may become an obstacle to evolution. Companies such as General Electric, Ford or Xerox, among others, show in their recent experiences how the business model that helped them succeed in the past, may not be the one that will help them in the future.

This is even more certain in the current context of digital disruption. With the emergence and growing dominance of big tech-based platforms – such as Amazon, Google, Microsoft, Apple or Alibaba, among others – the relevance of business models has become even stronger. What makes these tech-based companies different from their traditional competitors is not only technology, but the new business model that they have been able to create by using technology in a different way to connect with final customers.

An engaged board should understand different business models, their ingredients and the elements that they require to be sustainable and serve customers in a unique way. A key component in any business model is the firm's capability to deliver value to customers and successfully execute the strategy. Capabilities involve some physical assets, but their impact goes beyond those assets. Capabilities are embedded in the company's employees and the way they work together to solve new problems and challenges. A firm's performance is related to the capabilities that it has developed over the years. The board of directors needs to make a robust assessment of the firm's capabilities to make the strategy successful and, in particular, the managerial capabilities of its senior management team.

In the Cellnex case, it was not only important that the CEO had a high level of trust in the management team. The board of directors also needed to make sure that they had the right team of senior managers leading the new project, with strong capabilities and attitudes, including not only the entrepreneurial drive to start a new project, but also the self-knowledge, humility and agility to change tack if necessary for the success of the project. A good strategy is as good as its execution. And execution is related to the quality of management and the people at the heart of transforming key ideas and projects into reality by working with other people to serve customers.

Execution

A key pillar of this strategy roadmap is execution, which includes specific policies to implement strategy and comprehensive assessment and KPIs (Andrew, 1971; Simons, 2011). Strategy design is an analytical process, where rational dimensions are usually placed above personal or emotional dimensions. In execution, the engagement of senior managers and the whole team is indispensable. A rational plan should be put in place, but the "soft" factors involved with engaging and motivating people towards certain goals and objectives are important. For this reason, a key function of any board of directors is to make a thorough assessment of the quality of the management team and its ability to implement strategy by engaging people.

The experiences of Cellnex, Unilever and Amadeus show that top managers who lead by example, connect emotionally with employees and engage them also make a positive impact on execution. Paul Polman worked hard with his team at Unilever to improve organizational effectiveness. He understood that purpose was central to this effort, but that Unilever had to deliver economic results as well. The inspiration coming from the firm's purpose and values was critical for improving operational efficiency and gross margins in some business units that were slightly below the best performing firms in their industries. Unilever derived 60% of its revenues from foods and beverages and 40% from personal care. He reorganized the company around four core business units in 2011, in order to make the company simpler and more functional: personal care, home care, food and refreshments. He also moved away from regional structures and created eight major geographical areas: Europe; North Asia; South East Asia and Australasia; South Asia; North Africa, Middle East, Turkey, Russia, Ukraine and Belarus; Africa; North America; and Latin America. This reorganization was key for achieving higher speed and agility, as it cut the number of business units down from 11 to 4, and the number of geographies from 22 to 8.

The leaders of the business units and geographies reported directly to Polman. With the reorganization, Polman introduced changes in the values of managers, making them more accountable and entrepreneurial, with a stronger growth orientation. He also renewed the process of leadership development, promoting capable people to key positions, including more women and managers coming from emerging countries. He also changed the management performance assessment and the rewards system. He pushed some innovations in the future pipeline of leaders of the company, including special educational and development programs for a large number of managers focused first and foremost on the future leadership qualities required.

In order to speed up transformation and time-to-market, a new Connected 4 Growth (C4G) program was launched in 2016. Its aim was to improve the organization and make it more agile, faster and more competitive. It included four major areas: lowering costs, through "Zero Based Budgeting"; simplifying structure and processes; stronger innovation, making products and brands more global and local; and engaging people. In particular, a main focus of this initiative was to help people within Unilever to think and behave more like entrepreneurs and business owners, giving them more power to experiment with new ideas and improve the quality of innovation. Polman and his team had great aspirations for the company, but were also aware of the need to make the company efficient and deliver economic value sustainably.

The board should make sure that any discussion on strategy accentuates that its implementation is, above all, a question of people working together effectively. The CEO and the top management team have the greatest responsibility for ensuring this. But experienced CEOs and board members know that it does not matter how smart a strategy is: its potential value depends on the quality and effectiveness of its execution. The board should not bypass the CEO in this vital job, but should ask the CEO key questions to understand how the management team will deal with crucial issues of execution that could turn the strategy into a success or a failure. The board should not dictate to the CEO about the terms of execution of strategy. Instead, it should work with the CEO to make sure that critical dimensions and risks are taken into account. The expertise, wisdom and prudence of board members in these areas are highly relevant for the successful execution of strategy.

Strategy, Business Models and Sustainable Performance

A related question associated with the firm's strategy is how sustainable the company's business model and performance are. The board needs to understand the dynamics of competition in the relevant industry and how sustainable the firm's positioning is. Many forces shape the dynamics of competition. Pricing is one of them. Nevertheless, experience points out that game-changers in any industry come from strategic investments that lead to new products or services, new business models, or both. Strategic investments that have a degree of irreversibility define dramatic changes in industries (Ghemawat, 1991). The emergence of platforms that connect buyers and sellers of products and services, often without the physical assets that are being traded, is a clear expression of the disruptive impact of some investments (Cusumano, Gower and Yoffie, 2019). Board members need to know about new and potentially disruptive emerging companies and technologies.

Economic performance may deteriorate due to external or internal factors (Ghemawat, 1991). Two types of external factors can have a negative impact on the dynamics of performance: 1) the threat of imitation, in terms of pricing, product quality or product variety, etc.; and, 2) the threat of substitution by new entrants or incumbents, with disruptive new models, new products or new technologies. Internal factors that can decrease performance are related to operational inefficiencies, lower productivity or higher costs due to organizational factors.

A stress test on strategy should be carried out periodically and the board can play an important role in this. The board of directors should ask the CEO and the senior management team questions about the sustainability of the current strategy and the firm's position, the risks of disruption, substitution and imitation, and the potential deterioration of performance due to organizational ineffectiveness. The board's function in strategy is not only about approving a strategy or supporting a strategic decision, but an ongoing engagement with the management team to shed new light, question assumptions and assess risks in a collaborative way.

Mapping risks at the board level is also critical. The sustainability of any strategy can be put in jeopardy by operational risks, competitive risks, financial risks, strategic risks and external risks (such as a trade war or a pandemic). Boards should consider these and include them in their reflections on strategy.

Adaptation and Transformation

The firm's performance and its sustainability are key issues for boards of directors and CEOs. The many forces that affect the business world today – from digitalization, shifting consumer behaviors, the reversal of globalization to the effects of Covid-19, among other things – underscore the urgent need for change and adaptation. It does not matter how successful the firm has been in the past. The future will probably require different business models and capabilities to serve customers well. The choice and design of new business models are central themes in strategy. These are mainly tasks that must be carried out by the CEO and the senior management team, but the board of directors also plays an important role.

Changing the business model to adapt to new realities is always complex. As Govindarajan and Trimble (2011) express eloquently, firms need to manage the present, forget the past and create the future. Cognitive capabilities tend to emphasize the past and the present, and downplay the future. But professional boards of directors need to work with senior managers to create the future of their company through good governance.

This is what Francisco Reynés and his team did with Cellnex, and what Paul Polman did with Unilever when the company transformation around sustainability started in 2009.

An effective board of directors should articulate five central issues regarding transformation, which are reflected in the experiences of Cellnex and Unilever. The first is the anticipation and understanding of why the current business model may not be sustainable in the near future. The sooner the board can convince the CEO of this, the better. The second is the development, together with the CEO, of a shared perspective on the key elements of the new business model and the specific steps for moving away from the old to the new, with the performance indicators necessary to do this in an effective way. The board needs to make sure that the change proposed is coherent with the firm's purpose. The third is the clarification of goals and actions to be taken. The fourth is managers' accountability for the execution of the strategy and the different action plans. The fifth is coherent communication with shareholders. This process should run in parallel

– and be consistent – with the one led by the senior management team to communicate goals, strategy and decisions with the firm's people, customers and other stakeholders.

The Strategy Roadmap: Final Reflections

The different building blocks of the strategy roadmap discussed in this paper present a combination of systematic observations on the actions of good boards of directors and some theoretical notions, based upon the strategy field. This roadmap will help boards of directors become active decision-making bodies involved in strategy, working with the CEO and the top management team in a collaborative way, while leaving the management of the company in the CEO's hands. At the same time, it respects the role of the CEO and the top management team and their primary responsibilities in this vital activity.

This strategy roadmap will also help boards of directors who are faced with making urgent decisions, such as the case of Unilever's board of directors in February 2017. The best defense that a company can organize against activist shareholders or a hostile takeover bid is a very professional and active board of directors. A board of directors that understands the firm's strategy and uniqueness, that knows how to help the senior management team in this area and truly cares about the long-term development of the company, will become a source of vitality for the firm.

4. The Strategy Process: The Role of the Board of Directors and the Collaboration Between the Board and the CEO

The role of the board in strategy requires board members with a high level of competency and expertise, and a deep personal involvement and commitment to make it work. Unfortunately, these qualities are not enough for a board to be effective in its role in strategy. The board of directors should carry out its work respecting the primary strategic functions of the CEO and the senior management team who are in close contact with customers, competitors, suppliers and other companies in the wider industry and are better positioned to observe trends, challenges, opportunities and threats. The board would overstep its role if it did not allow the CEO to do this job well. At the same time, it should help the management team in different ways: by making sure that the board's thinking is consistent with the company's reality; that the assessment of the top management team to define and execute the strategy is wise and prudent; that the valuation of the firm's capabilities is reasonable; that the changes in the industry and the external context are taken into account; and that the projections and forecasts do not have an overestimation bias.

The board of directors – beyond its monitoring duties – has a role in acting as an expert advisor to the senior management team. It should put the right questions to the CEO. It should challenge the assumptions made by the management team. It requires knowledge and expertise in order to be able to assess the quality of the management team. It should be a strict auditor of the resources and capabilities of the company to undertake new projects and provide a reality check on widely assumed beliefs associated with the industry and the global context. It should also be an advisor to the CEO and the management team, who need to find in the board not only a boss, but also mentors willing to help them execute strategy.

In the next two sections, I will discuss some experiences of collaborative relationships in the strategy process between boards of directors and CEOs and the senior management team that I observed in two respected international companies, Amadeus and Unilever. Extensive interviews over the years with the CEO and board members of these two companies are reported and summarized in Canals (2019) and Masclans and Canals (2020).

4.1. The Collaboration Between the Board and the CEO in the Strategy Reflection and Process

The collaborative nature of the relationship between the board of directors and the CEO were remarkable features both at Unilever during Paul Polman' s tenure between 2009 and 2018, and at Amadeus, with its CEO Luis Maroto.

Paul Polman was convinced of the importance of collaboration with the board regarding strategy, and the need to work closely with it on strategic issues. "The long-term development of the company depends very much on a good strategy and its execution, so directors should spend a lot of time working on this area, understand well the different issues and provide some useful insights and advice. Equally, directors need to understand what the company's overall objectives are, its general direction, how well it is currently performing, and how it can win." (Canals, 2019).

Paul Polman thought that the CEO and the board of directors – not shareholders – should own the firm's strategy. They should understand it well, discuss it in-depth regularly, be persuaded of it, engage their people in it and sell it to shareholders. It was not the other way around: shareholders should not own the strategy. As Polman said: "Some CEOs have become too dependent on shareholders to decide the firm's strategy. You need to pay attention to them, but strategy is a basic function of the CEO, who needs to work with the board of directors. One also needs to take into account that there is not only one shareholder. Any large company has a diversity of shareholders, with different views and perspectives on strategy. Each one may have different expectations and goals, not just about economic profitability. It is impossible to follow all their recommendations, or change strategy every time shareholders tell you to do so. You need to own your strategy and make sure that it is in sync with what reasonable investors who understand the company actually expect." (Canals, 2019).

During his first years at Unilever, Polman spent a lot of time with the board of directors focusing on Unilever's strategy and the Unilever Sustainable Living Plan (USLP). He and his team developed a business model in which all the key dimensions affecting stakeholders –customers, employees, shareholders, suppliers, society – were captured in a solid business model committed to positive performance. This was his way to convince investors that people and sustainability should be put at the center of the business model. He also sought to educate investors about Unilever's strategy and the Unilever Sustainable Living Plan, which integrated customers, product innovation, sustainability and performance.

Amadeus, Cellnex and Unilever's boards of directors had developed several best practices for working with the board on strategic issues (see Table 1). I present my own summary of those practices. The first is that the board should spend time in every single board meeting analyzing, discussing and providing feedback on the strategic proposals put forward by top management, including major strategic decisions. Boards tend to allocate an increasing amount of time to compliance and informative issues, and not enough time to strategy and strategic decisions. The second practice is to periodically review strategic issues that board members should understand and give their view on carefully. The third practice is the annual review of the firm's strategic plan. In the cases of Amadeus, Unilever and Cellnex, this provides a useful context for holding deep conversations on strategy, with the participation of the CEO, the team and board members. These conversations are important for helping board members better understand the firm's challenges and strategy. And board members also play a very useful role in helping the CEO and senior managers refine their assumptions, models and proposals.

The fourth practice is to select some horizontal issues – sustainability, globalization, risk, and technology, for instance – for discussion at every board meeting, even if these do not yet necessitate making a decision. Every board needs to begin discussions and reflecting on these dimensions and their potential impact on the firm. In many cases, the board can invite external experts to moderate a discussion on a specific topic.

The fifth practice is to have a comprehensive reporting system for the board – a balanced scorecard that includes both financial and non-financial variables, like the one that Unilever developed for the Sustainable Living Plan. This is a critical dimension of strategy used with financial reporting. Non-financial reporting should include key indicators that reflect the state of the company in key areas: people, leadership development, customer satisfaction and R&D. The reporting system should also include other ESG factors of interest.

The sixth practice is a two-day strategy meeting with the board and the senior management team focused on new strategic challenges. Through these actions, the board can better understand strategy, as well as the level of progress of the different actions and policies. This meeting may be combined with visits to the firm's local subsidiaries, operations and customers in key countries. These meetings also offer CEOs the opportunity to have longer conversations with board members in order to answer their questions and concerns, grasp their views and try to forge consensus on key strategic decisions.

Table 1
The Strategy Process: Some Board Practices

- Each board meeting should review some strategy issues
- Review trends and customers concerns that may affect strategy
- Annual review of the company's strategy guidelines or plan
- Select and present in each board meeting a theme that has an impact on the firm (innovation, talent development, climate change, technology disruption)
- Improve comprehensive reporting to the board, beyond financial issues and indicators
- Annual strategy retreat

4.2. The Collaboration Between the Board and the CEO in Specific Strategic Decisions

The case of Amadeus's acquisition of TravelClick in 2018 demonstrated that the board was mainly concerned with the integration of TravelClick, as it was the first large acquisition that Amadeus had made in the hotel software industry. By placing its emphasis on implementation of the acquisition and the integration of both companies, the Amadeus board not only signaled its concerns about the risks of the operation, it also helped the CEO and his management team to refine their plans regarding the integration of both companies. Financial dimensions tend to dominate the discussion in many board meetings regarding strategic decisions. It was remarkable that most of the board's concerns had to do with people, culture, customer service, organizational arrangements and the integration of the new team. The collaborative and transparent nature of the relationship between the board and the CEO made financial decisions easy to understand and discuss. The success of complex acquisitions depends more on human and organizational factors than on financial variables, once these are considered reasonable.

The board of Amadeus demonstrated several useful best practices in terms of the strategy process and the role of the board in it (see Table 2). The first is to encourage and help the CEO and the top management team to work and prepare a comprehensive analysis of the major decisions and present them to the board for deep discussion. The preparation of board meetings with high-quality and comprehensive information is the first step to having a productive debate at the board level.

The second practice is to make sure that board members understand the nature of the decisions, how they fit into the firm's strategy and the expected economic, organizational, competitive and human impact under different scenarios. The CEO and the executive team should help the board understand the potential implications of key decisions, beyond financial performance. In particular, the board should understand the effects of those decisions in the firm's capacity to grow and develop in the long term.

The third is the need to keep the firm's focus on customers and take a customer-centric perspective in major strategic decisions. Customer service is a central competitive advantage for most companies that perform well. It is also too easy to compromise customer service by making decisions that seem to improve efficiency but decrease the quality of the customer experience. Good boards also understand their firm's customers and why they buy the firm's products or services.

The fourth is to center the discussion of some strategic issues on the human, behavioral and organizational dimensions of the model, including the impact on retention, integration and motivation of key people in the acquired company. This requires a fundamental shift from a purely financial analysis of decisions to a more comprehensive review of major strategic decisions and their execution. The acquisition of a software company specialized in a certain type of customers, different from those that Amadeus used to have, prompted the board to ask the CEO to focus on how to ensure that key team members of the acquired company would stay on in the company, in order to maintain optimal client service.

The fifth practice is to assess the likely impact of a major strategic decision on the firm's purpose, culture and values. This reflection may not be based on quantitative predictions, but qualitative dimensions. This may create greater uncertainty for board members. Nevertheless, the fact that the board reflects on these dimensions, and the senior management team treat questions that emerge carefully, signals a clear commitment to the firm's purpose and the long-term development of the firm. It also demonstrates professionalism.

The sixth is the need to understand the expectations and reflections of key shareholders in this process. In the end, the Amadeus board's behavior and attitudes showed that board members took monitoring management and duty of care in their board functions very seriously, in ways that went beyond focusing on financial performance and financial indicators. In this respect, the collaborative nature of the work between the board and the CEO was essential for achieving this outcome and provided a clear path for improving the effectiveness of boards of directors in an increasingly uncertain world. This is a solid case of a board of directors fulfilling their duties professionally and making sure that shareholders understand what they are doing.

Table 2

The Interaction Between the Board of Directors and the CEO in Strategy: A Process

- The CEO should prepare and frame major strategic decisions to be discussed by the board
- Understand each strategic decision in the wider frame of the firm's strategy, capabilities and performance
- The strategic decision should lead to a better customer experience
- Focus the strategic debate on the human, behavioral and organizational dimensions of the strategic decision
- Assess the impact of the strategic decision on the firm's purpose, culture and values
- Check in with and involve key shareholders during this process.

5. A Typology of Board of Directors' Approaches to Strategy: The Collaboration Between the Board of Directors and The CEO

In this section, I present and discuss a typology of boards of directors dealing with strategy, according to two essential criteria: the role of the board of directors, on the one hand, and the role of the CEO and the top management team, on the other. The relative influence of each decision-maker is also shaped by the level of collaboration between the board and the top management team. The relative influence of boards of directors and CEOs in shaping and determining the firm's strategy is not only an indicator of the balance of power between both decision-making bodies; it has a clear impact on the quality of corporate governance. I will use in this section the case of the companies discussed in this paper: Amadeus, Cellnex, Deutsche Bank and Unilever.

The strategic decisions that the Unilever board of directors had to make regarding the Kraft Heinz offer to buy Unilever in February 2017 illustrate the different degrees of involvement a board may have in a firm's strategy. Under the leadership of its chairman, the Unilever board of directors had been proactively and deeply enough involved in the firm's strategy over the years to understand, approve and support the Unilever Sustainable Living Plan. As explained previously, this was more than a simple strategic plan and more of a strategic framework that would help Unilever make strategic long-term decisions. The plan was originally the work of CEO Paul Polman and his management team, but debated, discussed and approved by the board of directors.

The Deutsche Bank case demonstrates a situation at the other end of the spectrum: the bank had been led by very powerful CEOs over the previous 10 years who had controlled the strategy process, while the board of directors – the supervisory board, according to German corporate law – was unable to help define a credible strategy for the organization. A lack of collaboration between the top management and the board of directors made strategic change more complex.

The Amadeus and Cellnex cases also highlight the collaborative nature of work on strategy carried out jointly by the CEO and the board of directors. The chairman of the board and the CEO have key roles in making sure that this cooperation is effective. This collaboration helps both decision-makers work together to define and execute a more innovative and successful strategy.

5.1. Boards of Directors and Strategy: A Typology of Boards

Boards of directors and CEOs need to work together and interact effectively in strategy and strategic decisions. They are the two key governance decision-makers in any company. A sufficient understanding of each of their roles is context-specific and depends on the country, industry, firm's ownership and its strategic challenges. Those responsible for strategy should understand the challenges involved with collaboration. There are no simple formulas and each board must develop its own approach.

Based upon the clinical cases discussed in this paper, in this section I present a typology of boards of directors' involvement regarding corporate strategy (Figure 2). The different types reflect the commitment and engagement of the board of directors and the CEOs in strategic decision-making. The four typologies or board profiles regarding corporate strategy based upon the discussed cases are: passive boards, interactive boards, strategy-shapers boards and collaborative partnerships[8].

Figure 2
Typologies of Boards' Involvement in Strategy

		Strategy: CEO and senior management engagement	
		Low	**High**
Strategy: Board of directors engagement	**Low**	**Passive**	**Informative/ Interactive**
	High	**Shaper**	**Collaborative**

5.1.1. Passive Boards

The first board's involvement profile is the passive board. This profile presents a low engagement of the board of directors in strategy and limited initiative by the management team for discussing strategy in-depth with the board. This profile is adopted by many boards when approving a strategic plan, since it follows a simple compliance role. In this profile, the CEO works with the top management team on the strategy, presents the strategic plan to the board, there is some discussion on it and the board eventually approves the plan. The Deutsche Bank board falls into this category, due to its lack of effectiveness, even if it discussed the bank's strategy with the CEO over the years.

Passive boards may fulfill some basic functions and comply with laws and regulation. They usually meet basic compliance issues, such as the board's approval of strategic decisions or strategic plans. They make sure that processes are followed in the different decisions to be made. But these boards are not very active in helping the CEO and top managers think about wider questions that may have an impact on the firm and its future. Their long-term horizons regarding shareholders and other stakeholders tend to be shorter, either because there is a

[8] McNulty and Pettigrew (1997) developed a model that describes the levels of part-time board members' involvement in strategy. They distinguish three levels: taking strategic decisions, shaping strategic decisions, and shaping the context, content and conduct of strategy. The model that I present in this paper complements McNulty and Pettigrew's model from the board-CEO interaction perspective.

dominant shareholder who eventually makes the major decisions, or because ownership is so dispersed that no shareholder has enough power to improve the quality of decision-making.

Boards of directors with this profile are not very engaged in discussing and debating major strategic issues. Explicit reflections on what the firm should look like in the future are absent from board meetings. This is a major weakness of this type of board, in particular, when companies are facing serious competitive challenges and a competent board could play a key role in opening up horizons to the top management team.

5.1.2. Interactive/Informative Boards

The second board profile regarding strategy involvement is the informative/interactive board. This type emerges in a context in which the board is not particularly involved and the top management is more active and entrepreneurial about strategic initiatives. The board asks questions and suggests strategic topics for the CEO to think about, and eventually approves the strategy.

This board profile emerged in companies that began taking governance seriously following the new corporate governance codes implemented in the 1990s. On these boards, directors are often doing their jobs competently, but the atmosphere of board meetings, and the interaction between board members and the CEO do not foster deep engagement on strategic issues. This is also the case of boards in companies where the CEO is one of the key shareholders or is closely aligned with one of the shareholders. The CEO may be considered to be fully aligned with shareholders and the role of the board is not that relevant, beyond some legal duties or the specific advice that it could offer in some key areas.

The interactive board is one step further in terms of board involvement. It requires competent board members who ask relevant questions and offer insights that complement the reflections of the top management team. In this case, either the chairman of the board or the tradition and culture of the board set up limits regarding the work of board members on strategy and how much time is spent in board meetings discussing this issue.

An astute CEO can use an interactive board to gain supplemental perspectives on long-term questions. As such, the board can serve as an effective sounding board. The problem is that the board is not actively involved in developing strategy. In this case, strategy essentially remains the responsibility of top management, which means that the board is not helping drive the long-term orientation of the firm.

5.1.3. Strategy-Shaper Boards

The third profile is the strategy-shaper board. This type of board requires members who have relevant business experience, a chair with the competence to manage very active board members and a tradition of discussing every single issue in an open, challenging way. The board tries to reinforce the work of the CEO in strategy, and, in some cases, supersede the CEO in this task. Top management may have a sufficient level of professional competence, but boards are more powerful in this case, due to historical reasons associated with a particular company, the role of large shareholders in governing the company, or the personality of the chairman and some board members.

This is often the case of companies, both big and small, in which private equity or venture capital firms have a strong presence among shareholders and board members (Garg and Eisenhardt, 2017). Entrepreneurs, for example, are often supported by a few experienced investors who get involved in the firm's strategy and even operations, to make the new venture sustainable. Family businesses present another case, when family members with a deep expertise in the industry and the company step down from executive functions and adopt a supervisory and mentoring role in the board of directors. Their experience and the fact that board members represent large shareholders may be particularly useful in cases of a turnaround or transformation. Finally, companies in which one or several activist investors control not only a percentage of the firm's equity, but become the main drivers of the firm's strategy, by supporting the appointment of a new CEO and some board members, are another case.

Strategy and business models have to be designed, tested and implemented quickly. The experience of board directors in other industries – such as technology expertise or a background in capital markets – can help shape strategic decisions through positive interaction with the top management team.

Boards with this profile often become highly involved, shaping the strategy and suggesting specific strategic actions to the CEO with a focus on the long term. There is deep board involvement, while the senior management team plays a secondary role and requires the clear support of the board of directors for strategic decisions and orientation. The desired balance between the board of directors and the CEO, which is indispensable for many board-related functions, is broken here. A board with this profile may overstretch itself, failing to take into account the CEO and the senior management team.

5.1.4. Collaborative Partnership

The fourth profile entails the board serving as a collaborative partner in developing strategy together with the CEO and the senior management team. Through this positive collaboration, each party is able to contribute different capabilities and experiences to help develop the company in the long term. Every company needs to define and redefine such partnerships, within the boundaries of the corporate law system and the company bylaws.

The collaborative profile involves a deep and productive cooperation between the board and the top management team. This is the case observed in Unilever, Cellnex and Amadeus. The advantages of a collaborative partnership in strategy are clear. First, it gives the CEO and the top management team the primary responsibility to think about strategy and strategic decisions. Second, it implies a collaborative approach between the board and top management, under the assumption that both bring complementary capabilities and experiences to the governance of the company. This a stark contrast with the confrontational approach that some agency theory models suggest. The depth and diversity of skills and capabilities, if they are well managed, are always opportunities, not obstacles.

The third benefit is that the CEO and the senior management team has a partner, the board of directors, that is detached from the daily operations of the company with whom it can discuss and reflect upon the firm's long-term strategy. If the board composition is diverse, with competent and committed members, the outcome of the discussions will likely be richer. The fourth advantage is that the board gets to know the company and its industry and challenges better. It also gives the board a deeper sense of ownership of the strategy. Board members, not only the Chairman and the CEO, understand strategic issues better and can develop a more articulated answer when facing an unexpected crisis, such as the hostile takeover of Unilever by

Kraft Heinz. Unless the board is very knowledgeable about the firm's strategy, it is unlikely that board members will feel authentic ownership of the strategic decisions they need to make in an urgent context.

This approach also takes into account principles of subsidiarity and delegation, which are important in any organization. Functions and tasks that can be carried out by a person or an intermediate unit should not be done by a person or unit in a higher position. This is both a principle of organizational effectiveness and respect for the initiative and freedom of every person working in the organization. This also allows for organizational decision-making rights to be allocated to those people who are closer to the problems and challenges, and have more direct information about them.

When the board of directors and the CEO work in this type of partnership, with respect for the professional duties that each one of them have, they generate a culture of trust that eventually permeates the whole organization. And a positive, integrative culture also helps creativity, fosters a sense of innovation and new ideas, and makes people feel more engaged. A positive culture integrates people and encourages collaboration across departments, which is a source of strength for any organization.

Finally, the collaborative partnership as a model for boards of directors has implications for shareholders. It expresses the board's commitment to thoroughly understanding the company, its business and its industry, as well as its people and key capabilities. It expresses the board of directors' intent to work with the CEO and the top management team. It also shows its willingness to share with shareholders not only financial indicators and other relevant issues, but to engage them in what the firm stands for and wants to achieve. This is not only interesting for caring investors, but a very good attribute for any investor, who would do well to understand the company's aims in order to generate sustainable financial returns. The model of the collaborative board also provides a better fit for a new generation of impact investors who seek to consider not only the financial performance of their investments, but other key variables and attributes of the company that they have invested in.

In particular, this model is useful in times of organizational change or industry transformation, when a board of directors observes that the old paradigms are becoming obsolete and new ways of competing for the future are not yet clear. A compelling strategy is necessary, both to give all managers and employees a sense of direction for the company, and to explain to shareholders where the company is heading.

The collaborative partnership model is also very interesting as a positive and constructive way for boards of directors to dissuade activist shareholders from attacking a company with proposals that may bring some short-term – but few long-term – gains. There are legal mechanisms to protect a company from activist shareholders. Some of them may be acceptable, while others are not. One of the most effective ways that a company can avoid becoming a target for activist shareholders is by having an active, competent board of directors, that understands the business and works with top managers to steer the company toward creating sustainable value in the long term. Many companies that have become the target of activist investors were those in which investors took advantage of the opportunity to influence a firm's strategic orientation, simply because the board of directors was not effectively willing to do so.

One can argue that activist shareholders play an important role in governance by reacting to the inaction of boards of directors. However, even if activist investors create value for some shareholders – in particular, those of acquired firms that are merged through the actions of the activists (Bebchuck, Brav and Jiang, 2015) – it is doubtful that they created a more competitive company. The cases of Thyssenkrupp, Yahoo and Xerox, among others, suggest this to be true.

It is easy to blame activist shareholders for the failure of those companies, and this may be a fact. Nevertheless, the activists would probably never have taken action if the companies and their boards had had a clear strategy, well executed by its management, that could create value in a sustained way. In fact, their mediocre economic performance and low share price reflected poor or weak strategy execution. It is the lack of strategic direction of the company, a passive board of directors and strategic decisions that are difficult to explain to investors that eventually lead to activist shareholders.

5.2. Board of Directors' Profiles Regarding Corporate Strategy and Its Evolution Over Time

Figure 3 presents the four profiles of boards discussed in this section and some of their attributes[9]. I present behaviors for each board profile regarding key functions or themes: role of the chairman, role of the CEO, strategy process, strategic decisions and execution. In the case of a passive board, the chairman aims mainly at compliance. The CEO shares basic information with the board, leads the discussion and manages the strategic process. The board eventually approves the strategy or the decision, and lets the CEO execute it.

At the other extreme is the collaborative board. In such boards, the chairman and the CEO collaborate in discussions of strategy, work with the board of directors and empower a senior management team who jointly co-create strategy with the board. Strategic decisions are taken as shared decisions by the board and the senior management team, and eventually the board approves the strategic decisions and supports the CEO and the top management team in execution.

These profiles present a number of schematic attributes of boards in terms of how they deal with strategy. In the real world, boards of directors frequently have the attributes of more than one of these profiles. However, by identifying and observing these profiles and their characteristics, boards of directors may be able to think more deeply about the profile they wish to adopt regarding strategy.

Board types are determined by the main shareholders of companies, as well as by the boards themselves through their contributions to the company's governance. Each profile involves different types of commitments and capabilities by board members. However, the potential advantages of the collaborative board when its members have the right capabilities and a competent chairperson, are enormous. Their impact on the long-term evolution of the firm can be far-reaching, as the Unilever and Cellnex cases have illustrated.

[9] The profiles of boards in approaching corporate strategy that I present in this section are coherent with the duties that corporate law in major countries defines for boards of directors.

Figure 3
Boards of Directors and Strategic Involvement

	Board of directors' profiles			
Role and attributes	**Passive**	**Informative**	**Strategy -shaper**	**Collaborative**
- Shareholders	Disengaged	Disengaged	Engaged	Engaged
- Chairman	Passive	Moderator	Active	Co-leader
- CEO	Passive	Active	Active	Co-leader
- Board and strategy process	Inefficient	CEO-led	Board-led	Co-creation
- Board and strategic decisions	Approval	Interaction	Joint discussion	Co-determination
- Execution and follow up	Formal reporting	Formal reporting	Trial and error	Drivers of performance

Observations of the corporate boards considered in this paper support that there is great potential for evolution in many boards' involvement with strategy. This is most evident in the cases of boards that have a long tradition of being passive or interactive. The need to become more effective may lead them to consider changes. The four types of boards described in this section can help boards of directors think about their goals and how to become more active.

In the end, the human factor is essential when trying to understand the key differences between different types of boards. Collaborative partnerships on boards of directors involve chairmen, CEOs and board members truly committed to the company in their different roles and positions. All parties should have high levels of experience and competence and be willing to work as a team. Also needed is a chairman that understands that his or her role is not to manage the company, but to lead the board (Cadbury, 2002) and govern the firm by working with the CEO and the top management team.

6. Some Final Reflections

Good corporate governance requires that boards deal effectively with strategy and that they enhance the quality of discussions about strategy by using holistic strategic frameworks. The complex nature of strategy development and the need for collaboration in this area between the board and the CEO make the design of conceptual frameworks for boards a difficult challenge. The corporate law tradition and its focus on the duty of care and oversight of the top management team offers some useful reflections. Strategy fits well within the context of the board directors' duty of care, but offers few guidelines on what this means for boards.

The corporate finance tradition offers insights on the impact of key strategic decisions, such as those involving corporate diversification and M&A. The shareholder value maximization goal widely used in finance is a clear theoretical principle, but one whose implementation in the real world is difficult, due to top managers' bounded rationality, the need to define time horizons and the observation that not all shareholders are equal, and have different preferences and time horizons. Even if maximizing shareholder value during a certain period of time could be a good indicator, it cannot replace strategy and a strategic reflection process. The latter elements define the firm's value proposition for customers and how it can create sustainable value in the long term.

With few exceptions, the strategic management tradition and the different, complementary perspectives on business strategy do not deal with strategy at the board level. Nevertheless, advances in the research and practice of strategy offer some useful perspectives on how the board can deal with strategy and strategic decisions and, more importantly, how a culture of collaboration between the board and the CEO and the top management team can be established.

In this paper, I presented a strategy roadmap that can help boards of directors' deal with strategy and strategic decisions. I also highlighted some dimensions on the strategy process that the board can adopt in order to deal with strategy consistently. There are some principles that can help boards of directors who take strategy and the firm's long-term development seriously. The first is deep knowledge of the strategic issues that the company faces. The second is the reflection and discussion of these issues in the board of directors with the CEO and other members of the senior management team. The third is the quality of the issues raised, the questions asked and the reflections shared in those sessions. The fourth is the spirit of true collaboration between the board and the CEO. The confrontational approach that agency theory suggests in the relationships between the board and the CEO would create a mediocre context, lacking any deep and enriching strategy debate on the board. This approach can eventually stifle the energy needed for the long-term evolution of the company and sustainable value creation.

Business strategy involves both content and process. The board's work on strategy requires professional competence regarding strategy-making and in debates on strategy. The board should also care about the strategy process, the methodologies followed, the involvement of the right management teams in this process and the sequence of events for execution. A good strategy requires effective implementation: the company needs a positive team culture on the board and a spirit of collaboration with the CEO and the top management, who will implement the strategy approved by the board and suggest adjustments and changes whenever they are needed.

Anchored in the strategic management tradition and the experience of some companies that have displayed remarkably good governance, effective management and sustainable economic performance over long periods of time, I have presented in this paper four basic profiles of boards of directors as they deal with strategy: the passive board, the informative / interactive board, the strategy-shaper board and the collaborative board. The categories are not clear-cut. In the real world, a board may be some combination of these four profiles.

Each board has to adopt its own profile and define its role in strategy and strategy-making, as well as the nature of its relationship with the CEO and the top management team. The recent pandemic and the global economic crisis that it has engendered places additional pressure on the role of the board of directors in strategy and the long-term orientation of the firm.

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