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Opinion

Making Ideas Happen: How to communicate effectively with your Board

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The RCC at Harvard Executive Program (www.hccglobalex.com) has taking place annually at the Harvard Faculty Club since the 2003 until 2019 ; a wide variety of 400 Worldwide companies (most of them Small and Medium sides companies and Entrepreneurs) have been taking part since first edition (2003) . The Executive Program has increased the number of African Agribusiness Companies as part of the Agreement signed with CEIBS- Africa (China Europe International Business School). The main focus of this article is to summarize the big challenges that African Agribusiness Companies have in order to build a “board of directors” and “communicate among their board members to compete in emerging markets”

Outline

- Emerging Markets
- Challenge for Today's Boards
- What is strategic engagement?
- How do you integrate it with the board routine?

Winning in Emerging Markets

Although most of our African Agribusiness Companies participating at the RCC at Harvard executive Program (Small & Medium Size Companies) have brands, quality orientation, technology and organizational resources nowadays. They are interested in leveraging these assets and build large businesses in emerging markets.

- Domestic entrepreneurs have local knowledge, ambition, commitment to their home markets, and experience dealing with institutional weaknesses. They are focused on building future multinationals by leveraging their home markets.
- Question: What are the winning strategies for each side?

Uniqueness of Emerging Markets

- Market Context
- Nature of Customer Opportunities

- Strategic Implications

Market Context

- Mature markets rely on a network of institutions to function effectively
- An emerging market is a market with missing or under-developed institutions

Examples of Market Institutions

- CREDIBILITY ENHANCERS (Auditors, J.D Power, University Accreditation Agencies)
- INFORMATION ANALYZERS (Financial Analysts, Consumer Reports, Magazine Rankings of Business Schools)
- AGGREGATORS AND DISTRIBUTORS (Financial institutions, Mass retailers, Talent Placement Agencies)
- TRANSACTION FACILITATORS (Brokers, Credit Cards, Employment Exchanges)
- REGULATORS (SEC, FDA, Labor Regulators)
- ADJUDICATORS (Courts, Consumer protection agencies)

Implications

- Filling “institutional voids” is one of the biggest market opportunities in emerging markets
- Business models that rely on mature market institutional context have to be adjusted to reflect emerging market institutional voids
 - Disney in China
- Business models that work one emerging market may not work in another
 - Disney in India versus China
 - Bharti Airtel in India versus Africa
- “Emerging markets” exist even in mature economies, so you don’t have to go abroad to apply some of these ideas!
 - E-Commerce in early stages
 - Subprime lending

Inner-city markets

Two Potential Challenges to Master

- Leadership and organization
 - Entrepreneurial orientation
 - Talent development
 - Balancing centralization and decentralization
- Values and value creation
 - Dealing with corruption
 - Corporate governance
 - Being a “partner in progress”

Challenge for Today’s Boards

- Meeting the increased compliance requirements – audit, compensation, risk....
- Ensuring that compliance doesn’t crowd out business agenda
- Going beyond monitoring financial performance to monitoring strategy

Too many expectations ... Too little time!

McKinsey Survey 2014 (Source)
 Survey of 824 outside directors

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- Two of the top three priorities – approving strategy and tracking progress against strategy
- ... But
- Only 52% say they are satisfied with their access to strategic information

McKinsey Survey 2018 (Source)

Survey of about 1500 outside directors

- No significant increase in proportion of time spent on strategy relative to 2014
- Only a small proportion of directors say they completely understand
 - their company's industry (10%)
 - their company's strategy (20%)
- 70% want to spend more time on strategy

Why is it so hard?

- Lack of clarity of Board's role in strategy
- Lack of focus on strategy in board agenda
- Lack of strategic information in board books
- Excessive focus on short-term financial performance
-

Why is it important?

- Focus limited Board time on what is strategically critical
- Add an external market focus to Board's agenda
- Identify problems early on, so they can be discussed and corrected
- Linking resource allocation, CEO selection and compensation, financial reporting oversight with the broader Board work

What is strategic engagement?

Four Strategy Questions Every Board Should Ask

- What is the customer need we are targeting and what is our proposed solution?
- Who are our competitors and how do we win against them?
- How do we ensure that our strategy is profitable?
- What are the potential threats to our strategy, and what is our game plan for strategic renewal?

Questions for Multi-Business Firms

- What is the strategy for each of our businesses?
 - How does each of our businesses create value on its own?
- How does our Corporate Center create value?
 - How do we make businesses in our portfolio more valuable than stand-alone businesses?

How do you integrate it with the Board Routine?

The Modifications to Board Routine

- Use board strategy retreat to set the annual strategic agenda
- Include a strategic information brief in every board book
- Create space in every board meeting to monitor strategic agenda

Setting Strategic Agenda: Board Retreat

- Reaffirm or modify current strategy
- Agree on strategic initiatives for the year

- Shore up key capabilities related to our competitive advantage
- Innovate new products/services
- Enhance ecosystem relationships
- Expand into new geographies
- Enter new businesses
- Agree on metrics and milestones

Facilitating Strategic Discussion: Strategic Board Information Book

- “One-pager” on four strategic questions
- “One-pager” on strategic initiative progress
- “One-pager” on customers and competition

Tracking Strategy Execution: Regular Board Meetings

- Tracking progress of the strategic initiatives
- Deep dive into one strategic aspect in each meeting
 - Customers
 - Competition
 - Organizational capabilities and processes central to our differentiation
 - Potential threats to sustaining our competitive advantage

Process Issues

- Initiating the process - board evaluation, board retreat, external facilitators as triggers
- Bringing the CEO/Management on board
- Articulating the role of management versus Board - avoiding micromanagement but performing the oversight role
- Role of the Board Leader in board information design, agenda setting, and board discussions