



# Elevating strategy discussions in the boardroom

KPMG Board Leadership Center



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At the end of the day, management is responsible for developing the company's strategy. Yet, even in 2019, when we first published *Facilitating the board's engagement in strategy*,<sup>1</sup> the long-held view that the board's role is limited to reviewing and concurring with the strategy was giving way to deeper engagement. This increased involvement by boards in strategy development accelerated during the COVID-19 crisis. And it continues to intensify as companies face an unprecedented combination of uncertainties, risks, and disruptions related to the economy, tariffs, trade, geopolitics, regulatory changes, cybersecurity, artificial intelligence (AI), digital assets, and more.

Our ongoing work and discussions with board leaders (defined here as lead directors and independent chairs)<sup>2</sup> provide new insights in several areas, including envisioning the future, strategic forecasting and scenario planning, resilience, and linking strategy and risk discussions.

The nature of the board's engagement in strategy—and the lead director or independent chair's role and approach, from active leadership to lighter touch—will vary by company, yet three areas of board focus remain pivotal:

- Setting expectations
- Planning the setup and staging of strategy discussions
- Building consensus on strategic direction.

This paper also focuses on elements and practices that are key to quality boardroom discussions about strategy:

- Devoting more time to envisioning the future and scenario planning
- Making risk, crisis planning, and resilience part of the strategy discussion
- Insisting on diverse thinking and counterviews
- Board governance structure.

Taken together, the insights and practices highlighted in this paper can help the board enhance its engagement in the strategy process, including supporting critical calibrations and pivots as conditions change.

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<sup>1</sup> Select quotes from *Facilitating the board's engagement in strategy* (KPMG Board Leadership Center, 2019) are included here.

<sup>2</sup> Discussions held under Chatham House Rule.



# Setting expectations

How does the board want to engage in strategy? What does it need from management to add value as the company's strategy evolves to address new risks, opportunities, and disruptions? As boards work more closely with the CEO and management team throughout the entire strategy process—versus simply evaluating and approving management's strategic plan—boardroom leaders emphasized the importance of setting clear expectations with the CEO and directors for the board's engagement in strategy, including the following:

**Taking a more hands-on approach:** Today there is a deeper, more real-time, hands-on level of board engagement in strategy. This includes closer oversight of strategic forecasting; scenario planning; portfolio reviews; and integrating technology, risk, talent, and resilience into broader strategy discussions. Boards are also paying closer attention to strategic execution, monitoring key performance indicators (KPIs), and helping determine the scope and need for course corrections.

**Widening the aperture:** Boards are dedicating more time and seeking deeper information about emerging and rapidly evolving issues such as geopolitical realignments and risks; the politicization of climate and other sustainability issues; emerging technologies including generative AI (GenAI) and agentic AI; cybersecurity, data, and data-related risks; talent; and the impact of the Trump administration's tariff, trade, and other policy initiatives. These issues require monitoring by the board and frequent engagement with management. Ongoing board education, particularly on new and emerging technologies, is also essential. While it is management's role to educate the board about the competitive environment and the implications for strategy, directors also need to be proactive—for example, by reading, visiting facilities, experiencing the business firsthand—to understand the strategy and its risks.

**Providing ample time to evaluate the strategy:** As boards take a more active and substantive role in shaping strategic direction, evaluating management's proposed strategy requires thinking about the future and understanding the forces affecting the industry. *"The board will need time to pause and reflect and to spend ample time with the assumptions and the environment. What other strategic options did management consider, and what was the reasoning behind the option management recommended? Good strategy discussions require the right board culture and unconstrained discussions, and that takes time, leadership, and discipline to develop."*

**Recognizing that a healthy strategy process is ongoing and iterative:**

A yearly board deep dive on management's strategy is no longer sufficient. Strategy discussions should be ongoing and woven into every board meeting and agenda. Dedicate agenda time to discuss strategy on a regular basis, as well as in between meetings as necessary. Expecting adjustments or course corrections along the way is a sign of a healthy strategy process, particularly given the volatility of the current business and geopolitical landscape. *"You should be concerned if you're not seeing more strategy pivots today than five years ago. Being too wedded to a strategy can blindside management from seeing what's coming at the company."*

**Aligning talent and resources to strategic priorities:** The board should help ensure that management has identified and is focused on the right strategic priorities. *"There can't be 10 or 15 strategic priorities."* The board and management should agree on the top four or five strategic priorities and assess whether management's resources and talent requirements are properly aligned with those priorities.

In short, understand how management is operationalizing the strategy—i.e., translating strategic goals and priorities into actionable plans with measurable objectives that are aligned throughout the organization.

Set clear expectations with the CEO and directors for the board's engagement in strategy.

# Planning the setup and staging of strategy discussions

The setup and staging of strategy discussions—number of meetings, agenda, format, quality of information, information flow, and premeeting materials—are key to the success of those discussions. The lead director or independent chair should help the C-suite understand the board’s expectations for the process and timeline, as well as the board’s information needs. *“This education process will also shed light on how effective management is in thinking about the company’s future.”*

**Providing the backdrop to drive the right focus and dynamics:** Break down strategy development into a series of backdrop sessions. For instance, hold sessions dedicated to discussing disruptive forces impacting the industry (not just inside the industry), competitors, peripheral players, and customers, and how to tie it all together. Other sessions might address AI and emerging technologies, data governance, talent development, regulation, and the administration’s tariff and other policy initiatives.

**Use of new technology:** In addition to understanding the potential impact of emerging technologies on the company and its strategy, boards should understand how management is using GenAI, agentic AI, and other technologies in the strategic planning process, along with any associated risks. An increasing number of boards have access to GenAI, agentic AI, and other technology tools to help reduce information asymmetry between the board and management. Board portals, which are an essential tool for many boards, are starting to tap into AI technologies to improve the quality and timeliness of the information and analysis supporting the board’s oversight work.<sup>3</sup> While the value of the use of AI technologies to support board work cannot be dismissed, the use of these AI technologies poses potential legal risks. It is essential that boards work closely with their company’s general counsel to develop policies for any use of AI technologies and AI-generated content to support board work.



Understand how management is operationalizing the strategy.

<sup>3</sup>Ryan Heath, “AI shakes up corporate boards,” Axios, April 23, 2024.

# Building consensus on strategic direction

It's important for the CEO and board to set an expectation that the board's goal is to reach consensus on the strategic direction. Questions or concerns about detailed elements of the strategy will naturally arise and shouldn't be left unresolved, but that shouldn't prevent the board from reaching a consensus. *"If there isn't consensus on the general direction, it suggests there are some very different views about the future, and you need to resolve that right away. Having one or more directors who disagree with the strategic direction can create a counterproductive environment in the boardroom."*

**Keeping the initial deliberations high level:** *"The key is to get true alignment on the overall strategy—the 'bet the company' direction. If you go too narrow too quickly, you're likely to run into gridlock right out of the starting gate."* At the same time, be mindful that immediate board consensus could be an indicator of groupthink.

**Understanding each director's view on the proposed strategy in advance of board meetings:** It's helpful for board leaders to understand where each director stands on the proposed strategy. *"The goal is not to steer the conversation, but to better manage the dynamics and work toward consensus by understanding where the starting point will be."* Additionally, board leaders can help elicit the information individual directors may need to resolve any concerns.

**Recognizing when to move from debate to decision:** While it's essential that all directors participate in a robust dialogue, *"The lead director needs to be strong enough to cut off debate at the right time, and in the right way. That requires a good culture and trust in the people and the process."*

**Continuing critical work and communication outside of the boardroom:** Directors noted that the work of the board and its committees is ongoing between meetings in various forms, including email updates from the CEO, communications on the board portal, check-ins with management, follow-up calls on open issues, and monitoring industry developments. *"There should not be radio silence or zero activity between board meetings."* Many boards members said movement toward consensus often happens outside of the boardroom. *"A good lead director will bring the hallway, coffee room, and dinner discussions back into the boardroom dialogue."*

In addition to the areas of focus discussed above, the elements and practices discussed in subsequent sections are key to quality boardroom discussions about strategy.

Help the C-suite understand the board's expectations for the process and timeline, as well as the board's information needs.

# Devoting more time to envisioning the future and scenario planning

Amid ongoing disruption and uncertainty, boards are sharpening their focus on scenario planning and strategic forecasting to help have more informed conversations about the future. The board should help ensure that management's scenario planning and strategic forecasting processes are properly resourced with the right expertise, capture a broad range of scenarios, the context is correct, the processes are iterative, and independent third-party voices are heard.

While discussions about the future vary by company and encompass many elements—strategy, risk tolerance and management, crisis readiness, resilience, culture, etc.—our conversations with directors help shed light on what “good” looks like, including:

**Tilting the conversation forward:** A common refrain we hear from directors is, *“The board spends too much time on backward-looking, last-quarter results.”* To counter that, one director said her board spends time talking about the future at every meeting and holding strategy check-ins to ask: Where are we going? What's changed? What headwinds or tailwinds are affecting our strategy? Do we need to run additional scenarios based on what's happening? *“Spending three quarters of our board meeting or more on forward-looking things made a fundamental shift in the way the board added value.”*

**Keeping conversations focused:** A challenge highlighted by some directors is that scenario planning “can get too theoretical.” Developing a forecast of the future requires the right balance of theoretical and practical. Have a dialogue around “what-ifs” in a more focused and urgent way, because *“we know that black swan events really do happen.”* Discussions should include low-probability/high-impact scenarios. Another challenge for boards is “cutting through the noise”—e.g., avoiding information overload, considering too many scenarios, and poor information quality. Data is the starting point for scenario planning and strategic forecasting, but context and judgment are critical. Putting the data that's relevant for the business and industry together with the plain-English narrative about the company's future is imperative. GenAI can be an important tool in this process, but management's judgment is essential.

**Valuing skepticism, context, and pattern recognition:** Directors emphasized the value of blue-sky thinking and board members with traits that might make them better forecasters—such as directors who are good at pattern recognition, challenge rather than protect beliefs about the world, are skeptical of easy solutions, and seek context.

**Thinking peripherally:** While it's important to focus on the company's traditional competitors, don't overlook competition from outside the industry, particularly disintermediation by other forces in the marketplace. Stay attuned to what's happening in other industries. For example, how might a breakthrough in biotech/life sciences impact the company's customer base or business model? Think about the “future” customer. How are customer behaviors changing? How will the company engage with customers as their habits and preferences change?

Don't overlook competition from outside the industry, particularly disintermediation by other forces in the marketplace.

# Making risk, crisis planning, and resilience part of the strategy discussion

No strategic plan can anticipate every risk that might hinder a company trying to achieve its strategic objectives, and strategy plans need to be adjusted as conditions change. *“Such real-time adjustments require firms to be agile. Yet, lack of agility is a major obstacle to effective execution.”*<sup>4</sup>

**Framing resilience as a differentiator:** Consider how resilience fits into the strategy discussion. *“Resilience is about the ability to pivot on strategy when conditions change. Resilience means you understand your optionality, you have diversification, and no matter what happens you can move forward and stay on offense.”* The ability to reposition the company is critical. *“How you practice and what tools and levers you have to reposition quickly is going to really matter.”*<sup>5</sup>

**Assessing how the company identifies disruption-related risks and the impact on long-term strategy:** Does management have an effective process to monitor changes in the external environment and provide early warning that adjustments to strategy might be necessary? That includes risk management, business continuity, crisis planning, and resilience. It calls for frequent updating of the company’s risk profile and more scenario planning, stress testing strategic assumptions, analyzing downside scenarios, considering the interrelationship of risks, and obtaining independent third-party perspectives.

**Receiving regular, robust updates on strategy execution and performance:** Set clear expectations for management about the board’s information requirements—including dashboard reporting, KPIs, etc. Assess the robustness of management’s scenario planning processes. Does the company have the operational flexibility to adjust, including people, resources, financing, partners, and vendors? Receiving updates and discussing strategy at every board meeting (and between board meetings, as needed) can significantly enhance the board’s ability to monitor performance and execution.



Assess the robustness of management’s scenario planning processes.

<sup>4</sup> Donald Sull, Rebecca Homkes, and Charles Sull, “Why Strategy Execution Unravels—and What to do About it,” *Harvard Business Review*, March 2015.

<sup>5</sup> “Resilience: Leading for the long term,” KPMG Board Leadership Center, 2021.

# Insisting on diverse thinking and counterviews

It's important to bring in a full mix of views about the strategy from directors, management, and third parties—particularly when the company is doing well. *"Bring in views of people who don't have a dog in the fight. Let them throw some bombs and challenge the conventional wisdom."* Is management truly challenging its own strategy and strategic assumptions?

## **Ensuring all director views are heard—particularly counterviews:**

Recognize the different communication styles and personalities at play among board members. *"One size doesn't fit all. You may need a blend of large and small meetings. Some directors are more comfortable and articulate with smaller groups."* To help ensure that all voices are heard, the board leader, CEO, or CFO may need to reach out to directors one on one. Understanding directors' styles and watching body language is vital. *"When I see negative body language, I'll follow up with the director during a break to find out what's on their mind."*

Ask the CEO how the organization creates the right environment to foster candid conversations about the company's strategy. Does the CEO encourage constructive challenges and welcome questions? *"A culture of trust and openness is essential. The CEO [should] be comfortable coming to the board early on, with a strategy that's not fully baked."*

**Hearing from a range of third parties:** Consider which third-party views and sources management is tapping to inform the company's strategy. Technologists, buy-side analysts, policy makers, industry experts, customers, academics, futurists, and others may bring specialized knowledge and unique insights that can help enrich strategy conversations.

**Giving airtime to the downside:** Think about what could go wrong. Is the company prepared to make course corrections quickly if needed? Ask directors and management to imagine the worst. Some directors described conducting a "kill the company" exercise to explore scenarios that could take the company down. How would an activist investor view the strategy?



Bring in a full mix of views about the strategy from directors, management, and third parties.

# Board governance structure

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## **Assessing whether the board has the right composition and leadership to effectively engage in strategy:**

A central challenge of board composition is having directors with experience in functional areas that are critical to the business as well as deep industry experience and an understanding of the company's strategy and the risks to the strategy. It is important to recognize that many boards will not have "experts" in all the functional areas such as cybersecurity, climate, GenAI, sustainability, etc., and may need to engage outside experts or consider the use of an advisory board.

At least annually, consider the company's strategy through the committee lens. Revisit committee responsibilities, work plans, and evaluations to help ensure alignment with the company's strategy and its drivers. Committee chairs can offer a unique perspective on strategy.

**Nominating and governance committees** should focus on board composition and talent. Does the board have the expertise to effectively evaluate management's strategy? Does the board have the right talent to help guide the company into the future? Are there additional skills and experience the board should recruit for in the near and long term?

**Compensation committees** should ensure that compensation plans stay synchronized with strategy, particularly if the strategy has shifted. Help ensure metrics and incentives remain linked to the strategy as it is refined. The committee should also consider whether the company is well-positioned to attract and retain the talent required to execute its strategy. For example, as companies gear up to deploy GenAI and AI agents at scale, there is increasing demand for technology professionals with AI-related skills such as model development and algorithmic development, as well as professionals with experience in data governance. Companies may also need professionals with experience managing risks and opportunities related to climate and sustainability, collecting and reporting data, and developing the necessary internal controls.

**Audit committees** may need to sharpen their focus on capital investments, capital allocation, the control environment, regulatory compliance, and corporate culture as the company's strategy shifts. Given audit committees' expanding risk oversight responsibilities beyond financial reporting and compliance, periodically assess whether the committee has the resources its mandate requires.

**Consider whether a new committee is needed:** As the operating environment gets more complex, some boards may determine that an additional committee is needed for effective oversight of specific mission-critical issues and risks—for example, technology, cybersecurity, data governance and/or data-related risks, climate and other sustainability issues, legal and regulatory compliance, or other risks. Does the board have directors with the right skills and background to serve on such a committee?

**Consider having committee chairs meet regularly:** Bringing the chairs together is a powerful way to help stay coordinated, aligned, and informed on strategy and risk.



*Our sincere thanks to the lead directors and independent chairs who generously shared their time and insights with us.*

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Consider the company's strategy through the committee lens.

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# About the KPMG Board Leadership Center

The KPMG BLC champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and sustainability to data governance, artificial intelligence, audit quality, proxy trends, and more. Learn more at [kpmg.com/blc](https://kpmg.com/blc).

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