
The Importance of Strategic Minds for Effective Governance



By Yves L. Doz and Keeley Wilson , INSEAD

Directors and CEOs need to develop specific traits to effectively navigate strategic issues and help shape the future of companies.

The relationship between governance and strategy in organisations has long been tenuous. CEOs often view governance merely as a regulatory requirement, delegating it to the CFO, auditors and legal experts, with only scripted meetings with the board. Conversely, our experience with directors at INSEAD seminars reveals that boards tend to overlook strategic matters.

However, strategy-making and governance should be strongly linked. The growing complexity of the business environment necessitates a strategic approach to governance. But directors, especially those representing large passive investment funds, are hesitant to delve into strategy due to their fiduciary responsibility. CEOs often fail to establish a collaborative relationship with the board, maintaining a distance that gives them autonomy but impedes strategic thought. They can overcome this divide by developing a shared strategic perspective on the future.

The key to successfully overseeing a company's future and shaping its strategic direction lies in cultivating strategic minds among directors and top management teams. Irrespective of the skills, knowledge and experience directors and senior executives bring to the table, it is essential for them to be skilled strategists. By developing strategic minds, they can serve as effective guardians of a company's future, framing purpose, setting strategic direction and stimulating ambitious strategic intent.

Pekka Ala-Pietilä, one of the key strategic minds behind **Nokia's success** in mobile phones in the 1990s, believed that “no one can be a board member without having a real understanding of strategy.” This understanding goes beyond expertise in strategy functions or business leadership roles. What makes a strategic mind is a combination of largely innate traits which enable individuals to see the world differently from most, question things that others don't recognise or take for granted and make connections between seemingly disparate events and information in a way that allows new opportunities or threats come into focus.

Although there has been limited research on the traits of a strategic mind, our decades of observation and study of strategists, ranging from exceptional to mediocre, have enabled us to identify the following key traits that underpin a strategic mind:

Cognitive flexibility

We interpret the world through the lens of our experience, our surroundings, the prevailing norms and their resulting mental frameworks. Cognitive flexibility is the skill to move beyond this context to recognise, interpret, synthesise and see the significance of things which are cognitively distant, difficult to perceive or unfamiliar – and then discover and explore relatedness and linkages between these distant facts or observations.

Non-linear thinking

Linear or sequential thinking is vital for effective operations – it allows you to get from A to Z via a defined set of steps – but studies have shown that non-linear approaches, such as systems thinking or associative thinking **produce more creative outcomes**. It is this type of thinking we need in strategic minds. To some extent everyone uses associative thinking, as we intuitively make sense of the world by making an association between the new unfamiliar and our past experience. But people with strategic minds are

much more open than most and are able to consciously **“free associate”**, linking multiple inputs with existing knowledge. They don’t see the world in a simple linear way but as a series of **complex interlinking systems** in which small changes can result in dramatic effects.

Handling ambiguity

Most people are uncomfortable with ambiguity, preferring **clarity and a vision of the future** in which little change is required as this enables them to retain a sense of control. Not so people with a strategic mind – they have a high tolerance for ambiguity which is found in competing points of view, contradictory inputs and complexity. They understand that ambiguity is a fact and control is illusory and so remain open to multiple hypotheses about the changes they perceive.

Tackling hard problems

Perhaps resulting from their cognitive flexibility, non-linear thinking and openness to ambiguity, people with strategic minds do not shy away from difficult problems or attempt to simplify them. In contrast, most managers avoid hard problems and when they can’t be avoided, resort to **“cognitive simplification”**, by using a set of heuristics they have learnt over their careers to break down the problems so they can apply existing hypotheses.

Big picture

Strategic minds are intuitively more drawn to and **influenced by the big picture** than isolated events. As such they cultivate a wide set of relationships both inside and outside the company. In a sense they are the modern equivalent of the polymaths of old, seeking out knowledge and understanding across multiple different disciplines and fields.

Consummate questioners

As we progress through education and the rungs of corporate hierarchies, we are trained to provide answers, to the extent that questions can be seen as a weakness, singling one out as failing to understand something. While **Hal Gregersen’s work** on the importance of asking questions has brought the idea of question brainstorming into vogue in the last few years, people with strategic minds have always stood out from the throng of executives armed with ready answers. Led by their enquiring minds they ask questions to broaden their understanding, challenge potential biases and help others see new threats and opportunities.

Mindfulness and sense-making

To the strategic mind, the journey is never complete. There is a strong awareness that ideas and assumptions need to be continually challenged and refined as **new knowledge or experience comes into play**. But merely being highly perceptive isn't enough – abstract ideas and perceptions have to be **translated into actionable frameworks** which make sense to the rest of the organisation. In other words, meaning has to be attached.

Self-awareness

It would be unusual to find a person with a truly strategic mind who was also narcissistic or hungry for power. The very essence of having a strategic mind means actively seeking to challenge one's worldview and assumptions and thus one's own identity and power – something which is **anathema to most managers**. It takes a high level of self-awareness to be able to continually and openly question, and potentially undermine, the context within which one operates and not fall victim to the dominant logic of a company. Self-awareness is also critical in getting others on board with new directions or ideas, particularly when dealing with defensive CEOs in successful, mature companies.

By cultivating a strategic mind, directors can become effective custodians of a company's future and drivers of its strategic direction. Embracing these traits enables directors, CEOs and their teams to guide their organisations more creatively and effectively towards success in today's rapidly evolving business landscape.

This article is adapted from Escaping the Growth Curse: Paths Toward Stronger Strategies, which will be published by Berrett-Koehler Publishers in 2024.

Find article at

<https://knowledge.insead.edu/strategy/importance-strategic-minds-effective-governance>

About the author(s)

Yves L. Doz is an Emeritus Professor of Strategic Management and the Solvay Chaired Professor of Technological Innovation, Emeritus at INSEAD.

Keeley Wilson is a senior researcher at INSEAD.

About the series

Corporate Governance

Established in 2010, the [INSEAD Corporate Governance Centre](#) (ICGC) has been actively engaged in making a distinctive contribution to the knowledge and practice of corporate governance. Its vision is to be the driving force in a vibrant intellectual community that contributes to academic and real-world impact in corporate governance globally.

The ICGC harnesses faculty expertise across multiple disciplines to teach and research on the challenges of boards of directors in an international context. The centre also fosters global dialogue on governance issues, with the ultimate goal of developing high-performing boards. Through its educational portfolio and advocacy, the ICGC seeks to build greater trust among the public and stakeholder communities, so that the businesses of today become a strong force for good for the economy, society and the environment.