



BoardWorks

Which Parts of the Strategic Plan Should the Board Approve?

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During the last decade or so, we have witnessed (and been part of) some major changes in the way boards go about their business. One such change has been what amounts to a quite substantial rethinking about the board's role in the strategic planning process. We have written about and emphasised the importance of the board's role to set the 'outcomes or results' to be achieved rather than focusing on the 'methods or means' for the achievement of the results. Increasingly writers in the governance field are stressing the difficulties faced by boards when they stray out of their strategic direction setting role and into the strategic planning process. One writer, for example, whom we often hear board members quoting (perhaps because of the catchy title of one of his books *The Fish Rots From the Head*) is Bob Garratt who says,

"I am against the notion of strategic planning at board level because it means getting bogged down in planning and numbers which takes the board's mind away from strategic thinking."

But is Garratt really saying that the board does not have a role to play in an organisation's strategic planning? Not at all. His point is that the strategic *planning* process per se does not belong at the board level. The board's contribution to the planning process should not be in the form of operational 'nuts and bolts' but rather as strategic *thinking*. In fact, the board has a critical role to play in the strategic planning process overall, but that role is substantially different from that played by most boards in the past, and by many still. So, what is the difference?

The main difference is where the board's involvement ceases and the CEO's delegation for planning commences. A related difference, and the focus of this article, is what the board actually approves or signs off on in the planning process.

When Garratt talks about "...getting bogged down in planning and numbers..." what he is referring to is the past tendency for boards to take their planning involvement beyond the big picture moving into the realm of what is now commonly referred to as 'operational strategic planning', that is into the design of the means by which the big picture is to be achieved. At strategic retreats or planning workshops it was not uncommon to find board members and senior staff designing programmes, determining timeframes, allocating resources and costing budgets, a sort of 'top to bottom exercise'. The problem with this approach is two-fold. Firstly, as Garratt points out, it takes the board's attention away from its more appropriate role of strategic thinking (looking ahead, scanning the environment, creating and exploring scenarios and plotting future directions) and instead causes directors to look inwards into the engine-room of the organisation. There can be real dangers in the board taking its eye off the road ahead. Not the least of these is that it takes it neglects one of its core responsibilities - protecting the future of the organisation on behalf of owners and other key stakeholders. Such unpreparedness can result in the board missing unexpected but predictable adverse events. That subsequently means being diverted into firefighting and damage control with even further loss of strategic focus.

Secondly, and related, the engine room needs constant attention, oiling, greasing, parts changed and regular servicing. Not uncommonly directors have very little real knowledge of what's going on in there and, not infrequently, even if they did their collective expertise is not in management which is a day-by-day, week-by-week responsibility. Board members, even those who are experienced and high achieving executives in their 'day jobs', are by definition only occasional contributors to the organisation. In addition to being part-timers they are physically removed from the organisation. In short, the inner workings are best left to management to control and thus to plan for. Management knows the organisation's capacities and capabilities, knows the cost of doing things and is best placed to determine resource allocation and place timeframes on the achievement of outcomes. The organisation pays managers to do the planning and to get the numbers right. That's what they are good at, so why should the board try to compete with them in what is, in essence, their job? The short answer is that it shouldn't.

When a board agrees to focus on the big picture and to put all of its thinking effort into this, surprising results can be achieved. Initial scepticism about the amount of future gazing that is possible can be quickly overcome when a skilled facilitator uses tools and techniques to assist directors to explore organisational purpose, core corporate values, the competitive environment, high level strategy, risks, scenarios, industry trends and future directions. We have seen many organisations – both not-for-profit and commercial ones – where these things have been largely ignored in the headlong and short-term dash into the detail of the strategic plan. Increasingly, however, directors are recognising that they do not have the skills (or more particularly the time) to develop anything vaguely resembling a detailed strategic plan. They tend to be greatly relieved to discover that they are not going to be asked to do so!

This then places the board's role in the planning process firmly in the high-level issues of organisation purpose, its mission, corporate values, key results/outcomes and high-level strategies, all of which add up to strategic direction. The board's role is *strategic direction setting* (as the result of strategic thinking) not *strategic planning*.

With this established what elements in the planning process does the board sign off?

Our rule of thumb is that the board should only sign off on those things that it develops itself and that it and only it can change. Even though statements of purpose, mission, outcomes, key results and corporate values are typically developed in partnership with CEO and management (and often also with key stakeholders) these planning statements belong with the board. Management should have no authority to change them. All further planning is carried out by management and although the board has the power and authority to make whatever changes it wants to this, it should take care in the exercise of such power. When a board becomes involved in setting or authorising operational planning it loses the ability to hold management accountable for the consequences of such planning. When a board determines that it has the final 'yes' or 'no', it must, at that point, accept that it has also taken away core management prerogatives. Yet many, if not most, boards - even those that espouse the planning principles we have described thus far still ask the CEO to bring the operational strategic plan for board approval.

From our experience asking boards to give up this final authorisation causes many directors to feel that they are giving away a core responsibility. We do not want to give the impression that the board has no role to play at all in what we have termed operational strategic planning. While it does not develop the plan it should nonetheless review what management has proposed. It should not, however, authorise or adopt the plan. We suggest that a more appropriate board role is to make clear to the CEO that the operational plan must demonstrate that there is a planned operational response to the strategic direction determined by the board. Even though the board should not sign off on the plan, its interest is not careless or remote.

These principles are reflected in the following conversation a board might have with its CEO.

“The operational strategic planning process is yours to design. We, however, reserve the right to determine that it should be done to certain standards that we will make clear and that all of the elements in our strategic direction are planned-for. Should you not undertake a robust planning process to our satisfaction we will ask you to go back to the drawing-board. If you do not include all of our directional elements in the plan, we will ask but not force you to do so. Where we will be forceful, however, is in our determination that our direction will be achieved. You are reminded that your performance will be measured against the achievement of our strategic direction, not the achievement of your operational strategic plan. It is in the organisation’s and your interests that you undertake effective planning. We will undertake to carefully plan the ends to be achieved. We want you to equally carefully plan the means to achieve those ends. Both our direction and your operational strategic plan should be available for review at any time. If need be, we will change the ends. We expect that you will change the means as necessary. We do not want you having to come to us to seek permission to make such changes and to this end we will not put our final stamp on what is, in effect, your document. Good luck.”

To sum up, therefore, the board should only sign off on its *own* planning work. The CEO should be held to account for that which he or she has done. That means leaving the final say about operational design with management. The board should satisfy itself that planning by management is carried out to high standards and that key directions have plans attached to them. It should not, however, diminish its capacity to hold management to account for all operational matters. That is what happens when a board steps into the realm of management decision-making and signs off on the CEO’s operational strategic plan.

ⁱ Bob Garratt. *The Fish Rots from the Head*. Harper Collins Business. London. 1996 Pg. 85.