Strategic Planning with Policy Governance®: The Board's Role

Introduction

When an organization begins to practice Policy Governance® it has to learn new ways fulfilling its role. The principles, structure, and processes combine to make Policy Governance a complete and integrated system with a much higher impact on organizational mission. Because of this the nature or extent of the board's involvement in certain activities changes. One of the areas in which this is true is that of strategic planning.

In Policy Governance® the board delegates all operational decisions to the CEO. There are several good reasons for this practice:
1. It provides the CEO with a full range of creativity and room to move to meet unforeseen and changing opportunities and challenges.
2. It more fully utilizes the resources of management's talents and skills by leaving them more latitude.
3. It clearly places the full authority, and accountability, for operational performance upon the CEO.

Since the majority of strategic planning involves operational decisions, the board should set the framework to guide those decisions, but remain outside of the process itself. It controls the process by setting the broadest directions in terms of what is to be accomplished and defining any methods or conditions which are not allowed. The board should be concerned with what the organization is to accomplish, not how it will do so.

Traditional governance often places the board in the position of leading the strategic planning. Not only do they define the larger direction and priorities, they usually extend their direction into operational strategies and tactics. As soon as the board crosses over into operational decisions, the three benefits above are lessened and/or removed.

What is Strategic Planning?

Strategic planning is essentially the process of proactively addressing where the organization is going and how it intends to get there. Its purpose is to increase the likelihood that the organization will accomplish its purpose and make effective use of its resources. There is a sequential process which typically includes creating a vision for where the organization should be in the future, analyzing internal and external conditions, determining where we are at today, and then developing operational plans for closing the gap over time. The intended outcome is to make the dream a reality and the process of planning forces the organization to realistically figure out how it can do so. There are really two parts of the process then.

Creating the Vision

The first step is to create a vision of what the organization should accomplish and how the future will be different as a result. Before one can set out in a direction, they need to understand where they wish to wind up. In strategic planning this definition of destination may be called by several names including the vision or the organizational purpose. It sums up what it is the organization exists to accomplish in the world.

In Policy Governance®, this definition is called the Ends. It specifically addresses the questions of what good the organization is to create in the world, whom the intended receiver of this good is, and the comparable value of achieving that good for those people (is it worth it?)

Creating the Strategic Plan

The second step in the process is creating the strategic plan. The strategic plan defines, in operational terms, how the organization will achieve the vision defined in the first step. This vision is held against the current reality of where we sit today. External dynamics, such as competition and trends, and internal capabilities, often in terms of skills and abilities or strengths and weaknesses, are considered in order to understand the influences on which particular strategies will most likely get us from where we are today to where we want to be in the future. Operational objectives, goals, strategies, tactics, programs, and activities are set to actually achieve that change in the future. In other words, all of the strategic planning activities are about operations and are dependent upon, and directed by, the vision.

Until the vision is defined there is no way to judge the soundness or probability of success of any of the strategies. The vision is superior to the operational planning and must come first. It then guides all of the further planning activities. In practice, the planning activities lay out the use of assets and operations to be utilized in achieving the vision.

What is the Appropriate Role for the Board?

In Policy Governance the board is more than a mere mechanism for management oversight. It fills an important leadership role in representing the interests of the owners. It does this by developing policy in each of the four areas. If the board is leading, and the vision comes first, it is critical that the job of defining that vision should start with the board. They may choose to involve others in the process, but at the completion of the day, it is their duty as a fiduciary to set that definition.

Once the future vision of how the organization will impact the world is defined, the CEO typically takes over and builds the plans to make that dream a reality. If the board steps into operational planning, no matter how good the intention, the CEO will never know when the board means what it says and when it does not. This usually results in second guessing board decisions and/or in bringing everything to the board for approval to make sure they have permission. This limits both effectiveness and efficiency and weakens the ability to achieve the organizational purpose.

Simply put, the most important thing that the board can provide to strategic planning is to define organizational purpose as described by what good, for whom, at what comparable value. After that, it should address its operational concerns in Executive Limitations and then let the CEO take charge of the planning process.

Why Board Should Stop There?

There are a number of principles underlying Policy Governance that tend to keep the board just outside of the planning itself. Any movement away from the principles weakens the governance system's ability to be self-balancing and correcting. Ignoring the principles opens the door to all of the weaknesses and shortcomings in governance that this system of governance is designed to prevent.

Clean and Clear Delegation

One of the principles that Policy Governance® is built upon is that delegation should be clean and clear. Without precise delegation roles become confused, responsibility is lost, and accountability is undermined. The board delegates authority for operational activities and accountability for organizational performance to the CEO. If it gives them control over operations but then dictates the methods of those operations through an official strategic plan, it has not really given them authority.

Clean and Clear Accountability

If the CEO does not have complete control over the operational methods then they can not truly be accountable for their results. If there is failure to achieve the desired outcomes is it the fault of the plan or the execution? The board guided the plan but the CEO was charged with its implementation. Who is to blame and what needs to be done to fix it? Without a clear and complete passing of authority how can we tell? With complete delegation of operational decisions, it is clear to whom we turn for improvement.

Clean and Clear Definition of Roles

In Policy Governance® the roles of the board and the CEO are clearly delineated. Each side has a separate, important, and unique role to play in fulfilling the promise of the organization. If the differentiation of roles is situational, that is the board may cross over to do the CEO's work when it chooses or when it thinks it is important, these roles are clouded. Unclear role definition is often the cause of friction, stepping on each other's toes, and uncertainty about the authority to act.

Clean and Clear Control Through Executive Limitations

But should the board as a leader not have something to say about operational methods? Of course, and it does so in the Executive Limitations. These limitations are placed by stating what is not acceptable rather than what is permissible. There are at least two reasons for this.

1. First, it is very difficult to predict what the future may bring and, especially in today's chaotic world, the organization needs to be flexible and fast to react. By stating what it unacceptable in methods prior to the need for a decision, the board grants prior permission to all other possible methods. This provides unbelievable flexibility to the CEO while still addressing any concerns the board may have.

2. Second, it is typically the case that the CEO became the CEO because of some combination of superior ability, skill, experience, and training in their field. In order to take maximum advantage of that talent, they need to have a clear field on which to play. If they are going to be managed by the board, then it is likely that their special gifts will

not be delivered fully to the organization. If the board is more qualified to be the CEO, then there is little reason to have one.

If the board begins to tell the CEO what to do, delegation, accountability, flexibility, humane use of expertise, and ability to accomplish mission all suffer.

How Can the Board Help in Strategic Plans?
The board is not excluded from participating in strategic planning under Policy Governance®, but to protect the integrity of the system and the benefits that the integrity bring, it does so in a very different way than most boards are used to.

Define the Vision
The board leads the process by defining the "where we want to be" piece. This is the starting point and all further strategic planning should be aligned with achieving those outcomes. This is the most important part of the plan; it is what the plan is all about. As owner representatives this particular part of the process should be held solely by the board.

Protect the Strength of the System
In order to protect the system and the good things that can come by using it, the board should delegate all operational choices, except those that are off limits, to the CEO. If it does not, delegation is unclear, and responsibility for accomplishment is diminished. The most powerful way to protect the organization is through the system and the most powerful way to make the system work is for the board to only speak of operational methods and conditions in terms of what is unacceptable.

Increasing Control
If the board feels that it needs to have more input to the strategic process it should do so by increasing its policy, not its participation in the process. Remember that the CEO is obligated to make their further decisions based on the framework of values and perspectives developed by the board. They are charged with producing "any reasonable interpretation" of what the board has said. If the board wants more control, they should develop more policy, which decreases the range of choices available to the CEO. This would be accomplished by more fully defining, at deeper levels, the Ends and the Executive Limitations.

Sharing history, knowledge, and ability but only as Staff Volunteers
The board can serve as a great resource to the planning process. Often it holds a deep understanding of the organization, its history, and its customers. In Policy Governance decisions in this area have been delegated to the CEO. This prevents the board from directing or dictating strategic choices and plans but it does not prevent them from sharing their knowledge. The key is to recognize that when they do so, they are doing so as volunteer staff that is there to help, not as leaders who are there to direct. They may participate as much as the CEO wishes them to, so long as the actual decisions about strategies and the actual plan are left to the CEO.

Summary

In Policy Governance® the board does participate but at a very different level. The strategic planning process flow ideally looks similar to this:

1. Organizational Leadership (usually the board) defines what future the organization exists to create (a vision of how things will be different, who will be effected, and at what value) in its Ends Policy.
2. The CEO takes the Ends Policy, interprets its meaning in operational terms, and builds a set of operational objectives and strategies that their expertise tells them are most likely to achieve the vision within the operational parameters set by the Organizational Leadership in the Executive Limitations.
3. These strategies and objectives are shared with management and staff, from which decisions get made about structure, processes, and organizational activities (programs, services, support, etc.)

This puts the Board clearly in control, but only at the broadest level. The CEO can then utilize their talents to do the best possible job in making it happen. All of which must be accomplished within the parameters set by the Board.

In this way, the ability of the organization to actually make the difference that it intends to is maximized. This is the promise of Policy Governance®. Maintaining the principles of the governance system by protecting the respective roles of Organizational and Operational Leadership in strategic planning is one of the investments made in order to realize that promise.