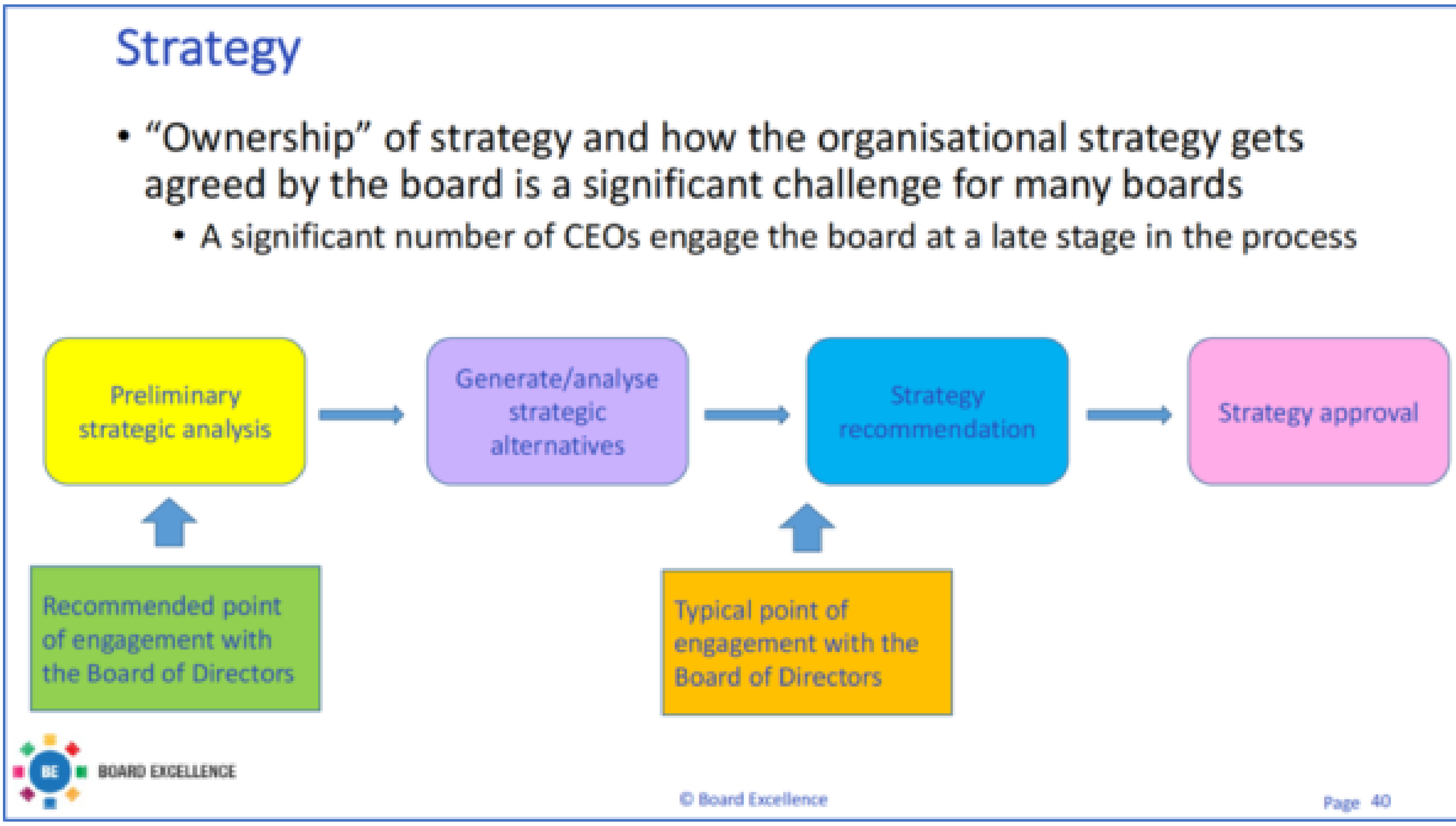
So who actually owns the strategy, the CEO or the Board ?

Description

While this may seem a very straight-forward question, the answer in reality is multi-faceted and has a significant impact on the effectiveness & performance of a board. In the majority of boards over recent decades and still today, the CEO owns the development of the strategy, brings it to the board for approval and is responsible for its execution. Modern progressive boards have made significant changes to the handling of strategy and the strategy area is now part of a genuine partnership between the execs and non-execs on the board which when executed correctly can dramatically improve the whole handling of the strategy area & the overall *strategic capability* of the organisation.

Let’s look in a bit more detail at the CEO-centric strategy model, understand its drivers and then assess the implications of this. The following diagram from our board best practices workshop highlights the typical phases of an organisation’s strategy process. In reality, many CEOs only properly engage the board at the “strategy recommendation” stage.



The factors which influence the CEO-centric approach are ;

Overall Control – Many dominant CEOs deliberately do not involve the board in the strategy area and are quite happy to present the strategy to the board in a "fait accompli" manner for their formal sign-off

Fear of losing control of the strategy decision – Some CEOs can have genuine concerns about the potential in opening up the strategy area with the non-execs that they may end up *losing control of the "strategy decision" and implementing a different strategy*

Misperceptions of board expectations of the CEO's "leadership & decisiveness" – this is an understandable concern for CEOs and can be prevalent in boards with strong-minded non-exec board members

Doubts that the board and non-execs can make a valuable contribution to strategy – many CEOs genuinely feel this, sometimes correctly but many times incorrectly as they haven't tested the board and non-execs capabilities in this area.

The downsides of the CEO-centric strategy model are that you are

- Depriving the independent non-exec board members the opportunity to genuinely contribute to the critical strategy area both in terms of feedback on the specific strategic options being proposed by the CEO & exec team as well as providing alternative left-field options
- Significantly reducing the quality of the debate around the whole strategy area as the CEO is ending up basically presenting a fully-baked strategic plan to the board and with that often comes a defensive mindset of effectively trying to force this through the board
- Increasing the likelihood of a group-think problem amongst the CEO & executive team whereby they have approached the strategy area in a blinkered-fashion and are simply too close to it to fully understand the scale of change going on in their market landscape, the shifting competitive forces etc.
- The outcome of the strategy is linked totally to the CEO. This is all well and good where the strategy execution is a success but where a strategy fails or struggles in the market, the board can often wash their hands of this reminding the CEO that it is his/her strategy rather than a genuine board strategy !

In working with highly effective boards, I have seen a common pattern emerging of the critical strategy area being genuinely board-centric as opposed to the more common CEO-centric model. The key characteristics of this model are as follows ;

Engagement by all board members in all phases of the strategic process – as outlined in the diagram above, the CEO at the very outset of the "preliminary strategic analysis" phase would present an overall strategic assessment, identify some concrete strategic options e.g. options A, B, C, D and E and provide initial guidance on his & exec team thinking i.e. " we're gravitating towards B and D as the serious compelling options due to these factors with D being the strongest candidate right now"

Non-exec board members roll up the sleeves & contribute strongly – this is a critical phase whereby the non-execs genuinely get stuck in and put in the serious time & effort to fully understand the strategic options being presented, apply their own independent thinking to put these in context of their view of the market landscape and also identify possible additional strategic options the CEO & exec team may not have considered e.g. a new strategic option F or a combination of B & D.

High-quality debate & strategic decision-making – led by the chairman, the board have a very rigorous and open debate on the various strategic options and work towards a consensus on an overall strategic direction. The chairman's leadership is vital at this stage and given the complexity and criticality of strategic decision-making in an organization, this is why many boards have an explicit strategy away-day to enable a high-quality focus. As a chairman and non-exec director on a number of boards, I genuinely feel that where the board has a number of reasonably similar weighted options that special weighting & trust needs to be given to the CEO & exec team's preferred direction. The critical thing for non-execs is that they have been given a genuine opportunity to contribute to the debate and add genuine value.

CEO executes the strategy and progress is monitored by the board – Once the board has agreed the strategy, the CEO is responsible for executing this strategy and best practice in this area now comprises of a regular update by the CEO to the board on the progress of the strategy execution separate from the standard monthly/quarterly performance reporting. This enables a more dynamic calibration of the strategy execution in the light of very fast-moving markets and adjustment if needed.

When executed well, this board-centric strategy process

- Engages the board early to enable the CEO leverage the expertise, experience, market understanding and independence/objectivity of the board members
- Enables the board to perform effectively their role of critical oversight of the key organizational strategy and in doing so challenging assumptions & the soundness of the strategy *with the objective of yielding a better strategic decision*
- Enable the non-exec board members to make a critical contribution whereby they feel that their capabilities have been properly employed, they have been listened to and ultimately feel they have added value
- Results in the entire board collectively feeling a strong sense of ownership of the key strategy area which will increase the likelihood of the board supporting the CEO & exec team during challenging times

Many CEOs genuinely fear that a more engaged board may constrain and impact on their CEO role in the key area of organizational strategy. High-quality committed hard working boards genuinely want to invest the time in helping the CEO & executive team make optimal strategic decisions. There is a critical onus on non-exec board members to reciprocate this openness and partnering by the CEO by in turn genuinely adding value to the strategic process. Where non-exec board members either cannot or do not want to put in the significant effort to genuinely support the CEO & exec team in the strategy area, there are genuine questions for the chairman in terms of does he have the right high-quality non-exec board members around the table who can genuinely add value. Non-exec board members with a comfort-zone in oversight only are a luxury that modern high-performing boards can't afford.

In conclusion, the strategy area is a key area where a vibrant and genuine partnership between the CEO & exec team and non-exec board members can significantly impact on an organization and is a hallmark of a highly effective & high-performance board.

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