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Strategic Planning or Strategic Thinking Where Does Your Board Fit ?

By Jannice Moore

I am frequently called by boards that want me to assist them with “Strategic Planning.” Is this a board function, and what if anything does it have to do with Ends? (If you are not familiar with the Policy Governance® concept of Ends, it refers to the policies that specify what external results or benefits an organization is to produce, who the beneficiaries are, and what it is worth to produce those benefits. Means, by contrast, refers to anything and everything that is not an End.)

For the purposes of this article I will use the following definition of strategic planning: “. . . a continuous and systematic process where people make decisions about intended future outcomes, how these outcomes are to be accomplished, and how success is to be measured and evaluated” (1). This commonly used understanding of strategic planning generally encompasses developing vision, mission, goals, strategies, objectives, and action plans.

While strategic planning includes intended future outcomes, it does not clarify whether such outcomes are about Ends (for example, a result for a beneficiary of the organization, such as “students can read at grade level”) or means (for example, the organization will implement a

new information technology system). Further, strategic planning is commonly understood to include decisions about the means used to achieve a strategic direction. (Notice the two “how to” phrases in the preceding definition.) “Strategic planning often takes an *already agreed upon strategic direction* and helps strategists decide *how* the organization is to be configured and resources allocated to realize that direction. Strategic planning is normally used to denote a programmatic, analytical thought process carried out within the parameters of what is to be achieved, but does not explicitly question those parameters . . . [emphasis added]”(3). The analytical thought process focuses on separating the whole into its component parts.

Strategic thinking takes the current reality and disrupts alignment by identifying the desired future

It is quickly evident that strategic planning includes both Ends and means decisions and does not distinguish between them, nor does it distinguish the point at which the board’s role stops and the CEO’s role begins. Internationally known author on business and management from McGill University, Henry Mintzberg (2), has said that “strategic planning is an oxymoron.” He goes on to say

that strategy cannot be planned because planning is about analysis while strategy is about synthesis. Synthesis is about combining diverse concepts into a coherent whole.



I propose that the board’s key role is much more about synthesis than analysis. Thus, to maintain clarity, boards need to make a distinction between strategic **planning** and strategic **thinking**. The latter focuses on setting strategic direction.

Strategic thinking is about questioning and defining the parameters themselves. The thought process is creative – it is about envisioning a potential future which may be very different from the present. University of Virginia’s Professor of Business Administration, Jeanne Liedtka (4), says that strategic thinking takes the current reality and disrupts alignment by identifying the de-

Strategy as Creating and Disrupting Alignment

sired future; strategic planning then takes that desired future and re-creates alignment by determining how to make it into the current reality. The process forms a cycle diagrammed in this article.

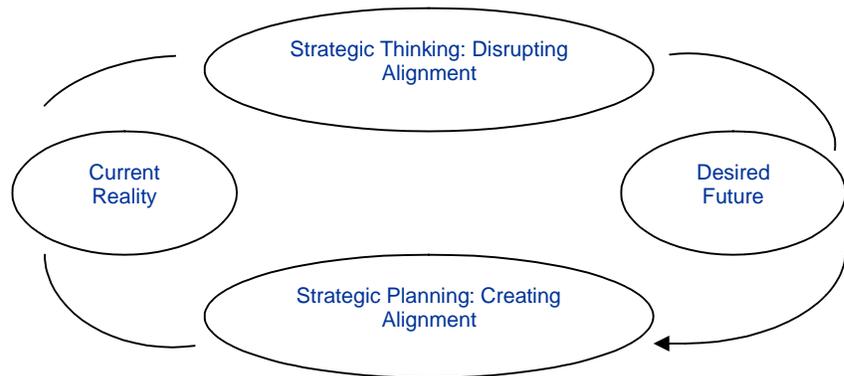
This is an excellent depiction of the distinction between the board's role and the executive role in the strategy process. The board – engaging in strategic *thinking* which synthesizes a whole from many components– identifies the desired future (the “what benefit, for whom” portion of the Ends) as well as what it is worth to achieve those benefits (the “what cost” portion of the Ends). This happens first. Then the executive – engaging in strategic *planning* which breaks that whole into component parts – determines the most effective means to achieve those Ends.

Strategic thinking has a long term orientation, and takes a systematic and holistic view of the environment.

So strategic thinking is the *precursor* to strategic planning. Strategic thinking by the board about what the organization is for (the Ends) sets the stage for the executive to create a strategic plan to achieve those Ends.

Strategic thinking has a long term orientation, and takes a systematic and holistic view of the environment. It also exercises the discipline of focusing on the desired outcomes that the organization should produce, rather than on the means of achieving them.

Organizations whose boards focus on approving the strategic plan created by the executive or spending



From Jeanne M. Liedtka: Linking Strategic Thinking with Strategic Planning

their own valuable time creating the details of a strategic plan, rather than engaging in strategic thinking, run the risk of enrolling their organizations in what has been called the “Christopher Columbus School of Management.”

- When he left – he didn't know where he was going.
- When he got there – he didn't know where he was.
- When he got back – he couldn't tell where he had been.



In the 15th century, Columbus had 10 years to go to and return several times from the unknown. In the 21st century, boards do not have that luxury of time. If the organization is to be a success, the destination (the desired outcome) must be set clearly, and in a way that allows the navigational details (the plan) to respond rapidly to a constantly changing environment,. Such clarity about the ultimate result, and

freedom about the means to get there, requires strategic thinking.

Tony Hassed, Principal of BoardSense Limited in New Zealand (5), suggests that strategic thinking requires answering the following questions: Where are we now? What is happening out there? What is important to us? What do we want to achieve? Where do we want to get to? These are questions relevant to the board's work in crafting the highest level Ends that provide strategic direction to the organization. Strategic planning, on the other hand, is about “How do we get there?” “How” questions are about means, which are delegated to the CEO, once the board has set appropriate boundaries of prudence and ethics around the means.

Strategic thinking and planning are “distinct, but interrelated and complementary thought processes” that must sustain and support one another for effective strategic management.

In the view of Fiona Graetz of Deakin University in Australia (6), strategic thinking and planning are “distinct, but interrelated and complementary thought processes” that must sustain and support one an-

other for effective strategic management. Graetz suggests that the purpose of strategic thinking is “to seek innovation and imagine *new and very different futures* that may lead the company to redefine its core strategies and even its industry. [Emphasis added]” The purpose of strategic planning, is “to realize and to support strategies developed through the strategic thinking process and to integrate these back into the business.”

Strategic thinking – which I believe is essential to the board’s Ends work – has several characteristics. This brief summary is taken from Liedtka’s work (7):

- It is done from the mental model of a systems perspective. [*Sounds a lot like Policy Governance[®] which is a system!*]
- It conveys a sense of direction – is “intent-focused.” [*Sounds a lot like Ends.*]
- It is open to taking advantage of input from many sources and new experiences – what Mintzberg calls “intelligent opportunism.” [*Gathering ownership input and enriched information for board decision-making.*]
- It is “thinking in time,” considering the gap between current reality and intent for the future. [*Holistic, setting direction for future benefits to be produced.*]
- It is hypothesis-driven, testing various possibilities, and combining both creative and critical elements. [*Choosing among various options regarding what the organization is for.*]

In a paper produced by the Center for Applied Research in Philadelphia (8), strategic thinking is described as “finding and developing unique opportunities to create value by enabling a provocative and creative dialogue among people who can affect a company’s direction. It is

the input to strategic planning – good strategic thinking uncovers potential opportunities for creating value and challenging assumptions about a company’s value proposition, so that when the plan is created, it targets these opportunities.” A “provocative and creative dialogue” is consistent with Carver’s concept of ownership linkage. Creating value is what Ends work is all about – what benefit is the organization to produce, for whom, and what is it worth?

Strategic thinking takes information from many sources and uses it to create a compelling picture of the future to be created by an organization. The Ends produced by the strategic thinking process form *the starting place* for the CEO’s work of creating the strategic plan. While the CEO and staff will certainly be the source of at least some of the information used by the board in the strategic thinking that leads to formulation of Ends, the decisions involved in creating the Ends, to whatever level of detail the board determines appropriate, belong to the board.

This brings us full circle to our opening question: Is strategic planning a board function, and what if anything does it have to do with Ends? My answer is this: in whatever way you choose to define the strategic planning process, the board’s function is only that portion that involves the strategic thinking which results in Ends. This strategic thinking and the resultant Ends are the precursor to the management’s function of strategic planning. That planning is also subject to any limitations related to prudence and ethics that the board has set on the means which may be included in the plan.

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Distinguishing Owners from Other Stakeholders

By Richard Stringham



We have a standing joke at my house that when I buy a car the bank “owns” more of the car than I do. At least for the first few years they have more capital tied up in it than do I. Of course, the bank is not the owner of the vehicle, at least not as long as I meet my payment obligations! It is, however, a stakeholder.

The bank is just one of a great many stakeholders of my car. For example, my insurance company is a stakeholder, as is my mechanic. The folks who sold me the vehicle are stakeholders. For that matter the people who made the vehicle and all who had something to do with getting it to me are stakeholders. The government with its concerns for design of transportation systems and rules of the road (both their creation and enforcement) are stakeholders. My family are obviously stakeholders, as are my neighbours who probably don’t want a “rust-bucket” parked in front of their house.

You too are a stakeholder, because if I don’t maintain my vehicle and veer into your lane of traffic you will have more at stake in my car than you’d likely desire!

So a great many people have something at stake in my vehicle. However, one stakeholder stands out

above the rest: the owner. As the owner, I can make decisions about the vehicle that no one else can make. For example, I may decide to use the vehicle for my personal use to get to where I need to for business and where I want to for pleasure. Or, as we don’t have public transit from our small bedroom-community to the nearby city, I could choose to let one of my children use it to commute to college in the city.

Or I could choose to jump through the regulatory hoops and get a taxi license, hire one or more drivers, and use the vehicle to make profit for me.

Or, if I have a heart for homeless people in the inner city, I could use the vehicle to take them hot chocolate, muffins, dry socks, and blankets for cold nights on the streets.



In each of these scenarios the vehicle’s primary beneficiary and the benefits that he/she/they receive changes. In the second scenario one of my children gets access to college. In the fourth scenario, homeless people have warm drink, a bit of nourishment, and some dry insulation for the cold night. In the first and third scenario I was the beneficiary, but the benefits I received were different.

Which of these or countless other scenarios I choose is my choice to make and mine alone as long as it is feasible for me to do so.

My relationship with some of the stakeholders may be altered in that process. To license the car as a taxi, I need to comply with regulatory issues that wouldn’t concern me in other situations. My insurer will charge a different rate if my daughter becomes the primary driver. If I put the vehicle to work and it puts on more kilometers, my mechanic will likely see more of the vehicle. Still, I’m the one choosing to enter into these situations.

Boards should recognize when they are entrusted to govern, they are sitting in for an ownership

And some of the stakeholders may try to influence me. The insurance company may suggest that I take policy options which provide greater levels of protection. Homeless people may encourage me to come around in the morning as well as making my nightly rounds. My daughter may lobby for a car with more attributes than just reliability and fuel economy. Her siblings may ask for similar benefits for themselves!

As the owner, I may choose to take those comments into account when I make my decisions regarding the vehicle. Or I may choose not to do so. Assuming that I am not breaking any of the town’s bylaws, if my neighbour doesn’t like the looks of my vehicle parked on the street in front of her house, I may or may not choose to make my decisions in accordance with her values.

Boards should recognize that when they are entrusted to govern, they are sitting in for an ownership, which is either recognized with legal rights (e.g., shareholders in a co-op) or, if there is not a legal ownership, then a “moral ownership” as John Carver frames it.

In other words, to whom does the board owe its primary accountability? Yes, there are obligations in law; however, that does not make the law the ownership. There may be contractual obligations (e.g., funding agreements), but that does not make the other party the ownership. (Indeed, it is a question of the owners' values as to whether the organization even goes into a contractual relationship!) There will be a world of others who have a stake in the board's decisions (staff, suppliers, customers, etc.) and although the organization's activities will influence their lives, this does not make them owners.

If boards stand in for owners, they must be cognizant of the owners' values and bring them into their decision making.

As we've seen in the above scenarios, the primary beneficiary of the vehicle may or may not be the owner. In fact, as the owner I determine if I or someone else is to be the primary beneficiary. This then is a key job for the board: determining on behalf of the owners who will benefit from the vehicle (organization) and what benefit they will gain.

In those situations in which the owners and the customers are one and the same, there are other dynamics at play that make it important for the board to understand when the owner is speaking versus when the customer is speaking. (But that is subject for another article.)

If boards stand in for the owners, then they must be cognizant of the owners' values and bring them into their decision making. It is that simple and it is that challenging as most boards deal with a diverse and sometimes widespread ownership. At the very least, directors need to discern between the owners and other stakeholders, even

when they are the same persons, as many stakeholders will see the board as the place of highest authority and as the best place to influence decisions of the organization. But the discerning board will know the difference between the values of their ownership and that of other stakeholders.

And you can take that to the bank!

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- **Board members or executives** of an organization using Policy Governance, who would like a “**refresher**” to better understand the model.
- **Staff members** who provide **administrative support** to a board using Policy Governance.

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 - **Ends** - what benefits are provided, for which people, at what cost or worth
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Implementing Policy Governance® in a Federation Communicating with Member Associations

By Rose Mercier

Any organizational change requires careful planning if it is to be successful. Membership organizations, particularly federations, need a plan beyond the board's plan for the changes it will make in how it functions. Federations' member associations are typically owners and customers simultaneously, often in daily contact with both staff and board members. The board's decision to operate as a Policy Governance® board will necessarily impact the nature of the relationships to which everyone has grown accustomed. It is a wise board that addresses not only how it will make the transition but also how it will facilitate its member associations to make the transition to participating as owners and customers, and knowing how to distinguish these relationships.

The major reason that change fails in organizations is the failure to manage the human side of change.

Several years ago, I attended the professional qualification course for Guiding Organizational Change led by Chris Edgelow of Sundance Consulting. I continue to use his framework for organizational change with great success. The applicability of this integrated approach to strategy, change, transition and communication has been particularly helpful in working with federation boards to implement Policy Governance.

It may seem curious that the adoption of Policy Governance by a federation board would prompt worry by its member associations. After all, the board's primary relationship will be with them and it will be their values and priorities that the board translates into policies to direct the federation. However, member associations' interests are frequently more short-term and focused on their

individual needs – their needs as customers. Member associations often become adept at using their relationships with staff and board members to present their case as customers. They usually persist until someone says, “Yes” and often resort to addressing the issue to the board if all else fails. It's not important to them how the need is addressed – via staff decision or board decision – only that it is addressed. When a board implements Policy Governance®, and delegates the management of customer issues to staff and no longer includes these items on the board agenda, members may resist this change in established practices and perceive a loss of power – unless the board is purposeful in its communication.

The major reason that change fails in organizations – which happens 70 percent of the time – is the failure to manage the human side of change. One of the main contributions to this failure is poor communication. If a federation board decides to change the way it is governing, it needs to pay attention to the human side of its members. Effective communication will mitigate against misunderstanding and resistance, and support a successful change effort.

The specific plan that a federation board and its CEO implement will depend on the unique dynamics of that association.

Once a federation board has decided to implement Policy Governance, I emphasize the essential need to boost its communication efforts. Business as usual won't suffice. Communication with members, staff and stakeholders needs to increase in variety, frequency and quality. This does not mean more e-mail or web postings! One of the most valuable axioms I carry with me from the Guiding Organizational Change training is that “Information + Technology does not



equal Communication.” E-mail and web sites are useful for transferring information. Passively providing information, however, does not lead to the exchange of ideas or create opportunities to ask questions and get answers. However, this exchange and questioning are prerequisites to changing the opinions, beliefs, attitudes or behaviour that are necessary to achieve optimal benefits from implementing Policy Governance in a federation.

The specific plan that a federation board and its CEO implement will depend on the unique dynamics of that association. However, the essence of effective change communication remains the same. The initial communication should include all of the following elements:

1. Start by being clear about why the board is making this change. It should be compelling – “This is why we adopted Policy Governance ” The board could use its own answers to questions about its effectiveness in an introductory workshop or pre-workshop survey. It should present these reasons from the perspective of the members – as owners and customers – the staff and stakeholders. Explaining

what would happen if the federation board doesn't make this change helps convey a sense of urgency that makes change easier to accept.

2. Describe the benefits of Policy Governance, what the federation will become as a result of implementing this change and the implementation process. How will members and stakeholders be affected, positively and negatively by the change? What's in it for them? Don't overdo this part of the message in the initial communication. Organizations often mistakenly start with the benefits of change. However, creating a sense of urgency and dealing with the concerns of those affected are more important. The board can return to benefits as implementation proceeds.
3. Articulate what the board believes will be concerns of the members, the staff and stakeholders and point out what the board will do to address those concerns. Are there resources that will be available for those directly impacted by this

change? This is where a board should spend most of its time. This is the exchange that will contribute to changing opinions and attitudes and adoption of new behaviours.

4. Point out what is staying the same and how the change protects what is important in the federation – the power of members to influence the direction of the federation, the ability to achieve results, and protection against the risks of unethical or imprudent management decisions.

As the implementation of Policy Governance continues, the board's communication with the members and stakeholders, and the CEO's communication with management staff and committees should continue. It is important to build confidence in the change process through open communication. The board needs to be honest with members when it doesn't have an answer, explain what it is doing and provide as much information as they have. The board and CEO need to recognize that the transition to a membership that fully embraces the power of Policy Governance will happen at different rates for different groups

and individuals, and find different ways to support those that are struggling with the change.

By taking a proactive approach to communicating the importance and value of the change it is making by adopting Policy Governance, a federation board will create an environment in which the federation achieves optimum benefits. Who knows, it may inspire its member associations' boards to look seriously at implementing Policy Governance as well.

It's happened!

Rose Mercier has been personally trained in the theory and implementation of Policy Governance by John and Miriam John and Miriam Carver at the Policy Governance® AcademySM. She has over 25 years experience in management, program development, and leadership training in non-profit organizations. A Licensed associate in Effective Intelligence® and a qualified practitioner with Leading Organizational Change®, Rose has a Bachelor of Physical Education and Masters of Business Administration. She has authored a wide diversity of training manuals, facilitation guides and journal articles.



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Policy Governance® Primer

Policy Governance® is a model of governance created by Dr. John Carver. Its principles are internally consistent, designed to work effectively when used together as a complete “operating system” for a board. If any of the principles are omitted, the model is incomplete, and will not function as intended. The model is based on the premise that the board is accountable to its owners, and stands between owners and management, bearing full accountability for its own performance and the performance of those to whom it delegates authority. The board exercises this authority as a total group, rather than as individuals. The board expresses its expectations through carefully crafted written policies, beginning with the broadest concepts in any policy category, and gradually working into more detailed levels until it is willing to delegate any reasonable interpretation of what it has said. Systematic and rigorous monitoring to confirm that delegated policies have been followed is an important part of the system. This carefully designed system, used as intended, ensures accountability of the CEO to the Board, and of the Board to the ownership.

Policy Governance enables the Board to:

- Be accountable in the position of trust in which it has been placed by its ownership/shareholders
- Provide strategic leadership in creating the future for its organization —its key responsibility— by clearly defining, on behalf of the ownership/shareholders, what benefits are to be produced, for whom, and at what cost
- Distinguish clearly between Ends (see below) and Means (ways of doing things)
- Be involved in appropriate decisions without “meddling” or “rubber stamping”
- Set parameters for acceptable organizational performance and for itself by establishing broad policies in four logical categories that make intuitive sense.

The policy categories are:

Ends – what benefit, for which people, at what cost? Ends are developed based on the Board’s knowledge of and interaction with the ownership – those to whom the Board is morally accountable.

Executive Limitations – the boundaries of prudence and ethics within which the Board allows staff to make further decisions about means.

Board-Management Delegation

– the manner in which the Board delegates authority to staff through the CEO, and how it evaluates staff performance.

Governance Process – the manner in which the Board itself will operate, including its philosophy, accountability, discipline, and its own job.

For a more detailed explanation of the model, see the “Policy Governance® Source Document” at www.governancecoach.com, or the authoritative website on Policy Governance® at www.policygovernance.com.

Board Leadership

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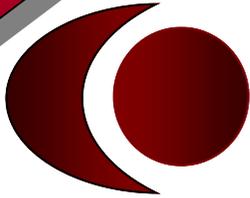
About the Governance Coach

Jannice Moore is President of The Governance Coach™ founded in 1994. She studied directly with John and Mirium Carver at the Policy Governance® Academy™. Jan holds an M.H.S.A. and has over 30 years experience working as a manager, planner, consultant and educator. She has assisted hundreds of boards across Canada and the USA in implementing Policy Governance and continues to act as “coach” to many. These boards include credit unions, professional regulatory bodies, businesses, membership and trade associations, health, schools, colleges, churches and voluntary organizations. Past chair of the International Policy Governance Organization, Jan is the author of several books including Governance for Health System Trustees, published by CHA Press, and the three volumes of the REALBoard™ Tool Kits. She is a frequent contributor of articles to the Board Leadership newsletter and has been invited as a guest speaker on governance in Canada, the USA and in Europe. Jan may be contacted at jannice@governancecoach.com.



Board Recruitment Resources

Two downloadable products to assist you in recruiting the best board members available !

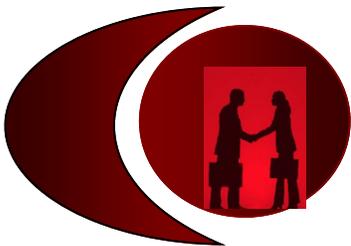


The Best-Fit Board Member Matrix™

The Best-Fit Board Member Matrix™ is a tool to use when your board is recruiting new candidates for membership. This tool provides a simple method for your board to compare candidates based on your own customized criteria. It provides a listing and description of characteristics to consider when recruiting and selecting board members.

The Best-Fit Board Member Matrix™ allows your board to add or delete specific characteristics that are important to you, and also to determine as a board the relative importance of each characteristic.

Available for \$35 online at www.governancecoach.com. Click on Estore!



The Best-Fit Board Builder™

The Best-Fit Board Builder™ will assist your board in assessing new candidates for your board. While it can be used by itself, it is most effectively used with The Best-Fit Board Member Matrix™. The Builder provides a “bank” of interview questions related to the board member characteristics you selected from the Matrix as most important for your board members to possess.

Rather than focusing on “hard” skills such as financial literacy and business experience, this tool provides questions to assess characteristics such as passion for the mission, systems perspective, critical thinking, and ability to function as an effective member of the board team, which are not commonly found in interview tools. The Best-Fit Board Builder™ is available in a downloadable format and includes a Word format document that allows you to easily select the questions you desire and print out an interview and scoring guide for them.

Available for \$99 online at www.governancecoach.com. Click on Estore!

The Governance Coach™

Jannice (Jan) Moore & Associates, Ltd.

..in your area!

As of this publication date, a member of the Governance Coach Team will be traveling to the following areas in 2011:

January 7-10 **Saskatoon, SK**

January 15 **Phoenix, AZ**

February 3 **Atlanta, GA**

February 4 **Regina, SK**

February 8-9 **Helena, MT**

February 10 **Edmonton, AB**

February 17 **Toronto, ON**

February 22 **Calgary, AB**

March 4-5 **Toronto, ON**

March 10-11 **Edmonton, AB**

April 7-8 **Halifax, NS**

April 12-14 **Misstissini, QC**

May 19 **Toronto, ON**

Share the cost of expenses!

If your company or organization would like to hold a Policy Governance® workshop or meet with Jannice Moore while she is in your area, please contact:

Marian Hamilton

Executive Assistant

89 Douglasview Rise S.E.
Calgary, Alberta

Tel: (403) 720-6282

Fax: (403) 720-8746

Email:

marian@governancecoach.com

Contact Us today!

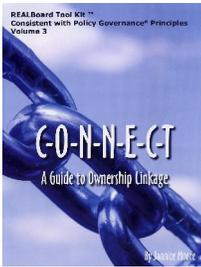
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Tool Kits

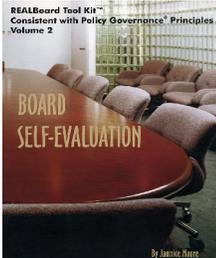
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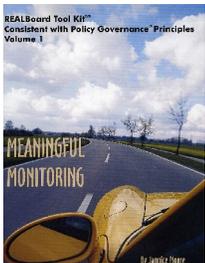
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**The Best-Fit
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