Nose In, Finger on Pulse: A New Paradigm

BY LES DAKENS AND STEVE JACOBS

THE KEY ROLE OF A BOARD of directors is to ensure the organization succeeds. To do that today, boards must adapt.

> "Boards and management have a shared accountability for both the development and execution of a company's strategy."

In their recent book, *Boards That Lead*, best-selling author and board director Ram Charan and his coauthors make a strong case for the need of boards to evolve. They argue that the role of a board transitioned some years ago from a "ceremonial" one to that of a "monitor," and now must evolve further to being a "leader" on the corporation's most crucial issues. They outline when directors must take charge (for example, selecting a CEO), when it is best to *partner* with senior management (for example, developing strategy and capital allocation), and when directors should *stay out of the way* (for example, on execution and operations).

This is a useful perspective for most boards today, but we find one point of departure noteworthy: there are occasions when the *execution* of strategy is so vital to a company's survival that it merits elevation beyond the "stay out of the way" designation. Rather than the traditional "Nose In, Fingers Out" approach, we suggest that a "Nose In, Finger on Pulse" (NIFOP) role is more appropriate in these circumstances.

Two recent examples illustrate the importance of boards staying involved in the execution of strategy. First, at Canadian Pacific Railway Ltd., there were years of sub-par performance, yet the board backed the CEO because members believed in the strategy. Eventually, shareholders fired the board and the CEO. The second example is the retailer Target Corp. The company was aware that many Canadian shoppers knew and liked the brand, so management came into the marketplace with high expectations. But the execution of the strategy for expanding across the border was a disaster, and the company has now abandoned Canada.

We believe that boards and management have a shared accountability for both the *development* and *execution* of a company's strategy. There are other critical areas of execution that may also require boards to have their "finger on the pulse," such as: acquisition, integration and divestitures; supply chain transformations; major new products; major IT overhauls; organizational restructuring; and culture transformation.

Most management teams welcome board oversight and interest if the directors are well-respected individuals who can bring additional insight and expertise to business situations. We predict, therefore, that management will embrace NIFOP, as long as boards remember when not to put their finger on the pulse.

The premise for NIFOP is that the board needs to understand the execution effectiveness of the strategic and people initiatives. We have a simple but powerful model to assess the effectiveness of any execution process. We call it DCOM®, an acronym for direction, competence, opportunity and motivation.

Direction: Does the strategic initiative have the proper vision, goal–setting and plans in place to deliver the desired results successfully?

Competence: Does the strategic initiative have the right people, leadership skills and work experience to deliver the desired results successfully?

Opportunity: Does the strategic initiative have the right processes, tools, information and organizational structure to deliver the desired results successfully?

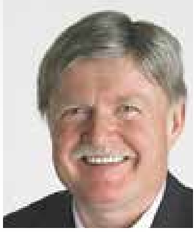
Motivation: Does the strategic initiative have the right reward and feedback mechanisms in place to deliver the desired results successfully?

Ideally, a board would work with management to review its DCOM® for each strategic initiative, and the board would have the right questions

to ask management, along with knowing what behaviors to observe for each initiative.

The DCOM criteria can also be useful to directors in other board roles that routinely fall in the "take charge" or "partner" categories, such as CEO succession planning.

Board work has become so governance-focused, requiring so much box-checking, that we have forgotten the key role for the board — to ensure the enterprise succeeds over a sustained period of time. NIFOP gets us back to our roots. Board directors can share their knowledge and experience to help management deliver on strategy.



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