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**The View**

**From the Top**

*Rethinking the Roles of  
Senior Management*

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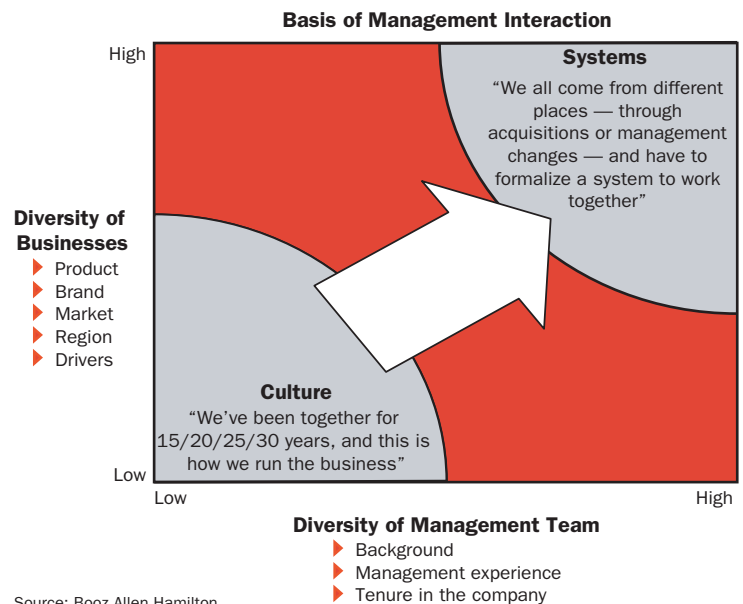
# The View From the Top

## Rethinking the Roles of Senior Management

Encouraging and facilitating the “right” amount and type of senior management interaction is a constant challenge. If interaction is too frequent, too transactional or too structured, the management team gets bogged down in tactical minutiae. If interaction is too sporadic, too strategic, or too undisciplined, the dialogue will fail to drive real and substantive action.

Historically, many firms have relied on culture to manage this executive dialogue. As companies globalize, expand through acquisition, and diversify their operations, however, their ability to rely on tradition and shared experience diminishes. In the absence of “culture,” companies need to put in place more formal and engineered management systems, processes, and roles to keep diverse operations running smoothly and on the right path (see Exhibit 1).

**Exhibit 1**  
From Managing Culture to Institutionalizing Systems



Source: Booz Allen Hamilton

Booz Allen Global Survey Companies
ABB
Bertelsmann
BP
Caterpillar
DaimlerChrysler
EMC
General Electric
Goldman Sachs
Intel
Kodak
Morgan Stanley
Procter & Gamble
Unilever

Based on our client experience and a benchmark survey we conducted earlier this year of senior executives at a broad range of global companies<sup>1</sup>, we have identified three positive trends in the evolution of senior management roles, as well as systems and processes.

- 1. Business unit heads are expanding their purview and driving the corporate change agenda.**
- 2. Key functional leaders are acting as both master and servant, supporting the business units, while overseeing enterprise-wide change in their own areas of functional expertise.**
- 3. Companies are creating new management structures and systems to legitimize and reinforce these changes in business unit and functional leader roles.**

We briefly describe our key findings in each of these areas.

<sup>1</sup> A complete report detailing survey findings is available upon request.

## Business Unit Leaders

The trick to developing the right strategy and management system in today's global market is pulling together and leveraging the combined wisdom and experience of the entire senior management team. That means expanding the role of business unit (BU) leaders beyond protecting the fortunes of their individual units. They are now, more than ever, being asked to take on collective responsibility for the enterprise's change agenda.

But how can these senior managers take on added accountability, in a way that is meaningful and not just lip service, without diluting their responsibility to drive results within their own BU? And how can the added onus of driving corporate results be made "legitimate"?

Many leading companies answer these questions by including business unit heads in an Executive Committee (EC) or similar corporate management structure designed to allocate resources across various business investments. In this forum, all proposals can be considered together and evaluated in the context of available capital and external performance commitments. The Executive Committee brings multiple points of view, broad judgment, and active debate to bear on the assessment of opportunities. In so doing, it compels business units to develop stronger business cases and business unit leaders to think beyond their role as guardian of their unit's interests. Now they are also part of a team owning and driving enterprise-wide change.

By placing business unit heads front and center in the corporate planning and resource allocation process, CEOs are fostering a tighter link between strategy and execution, and, by extension, between line and staff management. With these structures, BU leaders are less likely to escalate issues they should be resolving themselves. Moreover, membership on the EC emphasizes that BU leaders are collectively responsible for achieving corporate-wide goals; if some members are falling behind on their commitments, others know to redouble their efforts to exceed their own.

The objective of the Executive Committee is *not* to reduce the CEO's personal accountability for results or even to permit the CEO to refocus energy elsewhere. Rather, it is intended to enable the chief executive to engage more effectively with the senior management team and to integrate top-down leadership with bottom-up accountability. The EC enables the CEO to assert control while delegating authority, inspire loyalty while encouraging dissent, and question BU management while relying on their judgment. As one of our CEO survey respondents put it:

*"I set the tone — I put team-oriented people in place, so we can challenge one another in a productive way."*

## Corporate Functional Leaders

While key functional heads continue to be an integral part of the top team, we see a lot of well-managed companies moving away from staff-heavy executive bodies toward these leaner, business-focused managing structures and systems (i.e., Executive Committees). Meanwhile, many companies we work with are re-orienting the role of the corporate senior staff to not only serve the business units more effectively and efficiently, but also drive change across the enterprise within their own areas of responsibility.

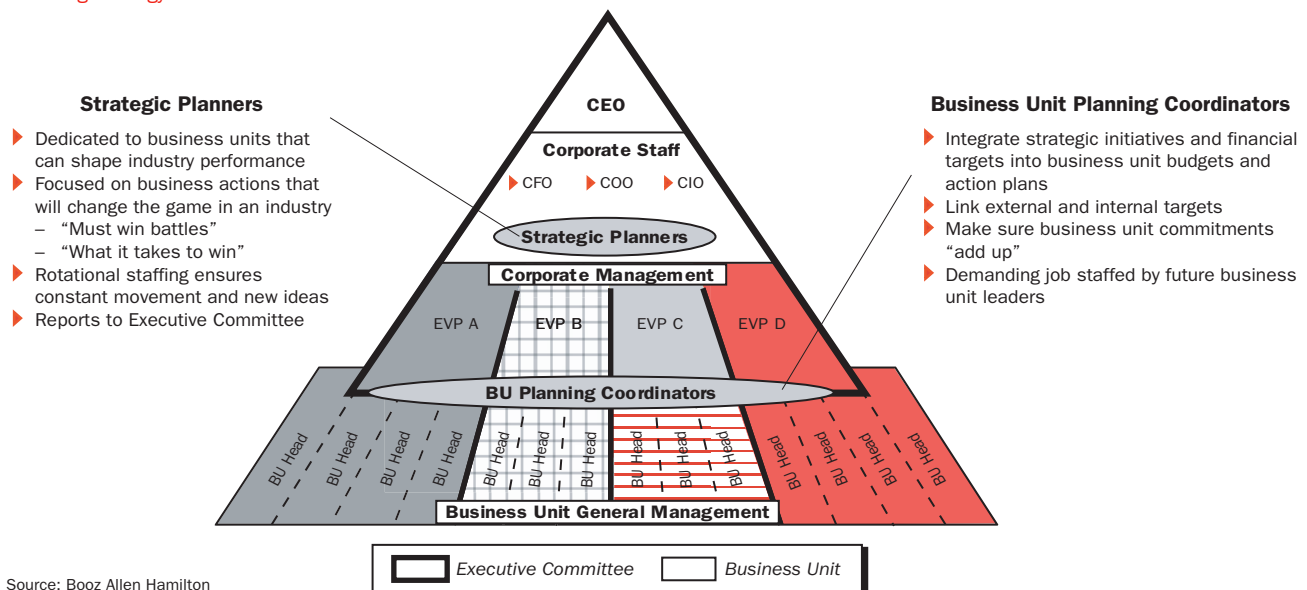
As both master of their functions and servant of the business units, corporate functional leaders help set company performance targets, lead budgeting and capital allocation processes, provide independent assessments of business unit performance, support business units with their respective expertise, and act as the voice of the corporation within their own functional domain.

While each company will institutionalize and implement these new management systems in its own way, one company has created new and unique planning roles to translate strategy into action (see Exhibit 2). *Strategic planners* operate at the corporate level and focus on formulating business actions that are capable of "changing the game" in the industry. Meanwhile, *business unit planning coordinators* work at the operating level, integrating strategic initiatives and financial targets into business unit budgets and action plans.

The chief financial officer plays a central role in this new senior management team. At most companies surveyed, the CFO's role has expanded well beyond administrative and functional duties. He or she is the corporate watchdog, safeguarding its resources and actively challenging the business units to prove their cases for various investment programs. In some companies, the CFO has direct line authority and controls enough of the corporate budget to take "fail-safe" action to make plan.

At the right hand of the CFO is the controller, who, more than any other individual, determines the transparency of the company's numbers. The corporate controller and his or her business unit equivalents "own the pipe," controlling the financial and reporting systems and signing off on major expenditures. Moreover, they effectively bridge the business unit and corporate cultures, so they often serve as an early warning system to companies facing trouble. A good controller fosters a bias for action and a sense of openness that

## Exhibit 2 Translating Strategy Into Action



invites discussion on pending issues before they become crises. Moreover, a good controller utilizes the information at his or her disposal to enhance business unit performance.

### New Management Structures

To legitimize and reinforce these changed business unit and functional leader roles, many companies have put in place formal management systems to supplement traditional cultural discipline. These systems encompass four key dimensions:

*Structure* – the formation of an Executive Committee or similar body;

*Decision Rights* – the vesting of resource allocation authority in this new structure;

*Agenda Control* – determining how and where the EC spends its time; and

*Performance Reporting Systems* – tracking strategic initiatives separately from “normal” SG&A.

Comprising the CEO, business unit heads, and senior functional executives, the Executive Committee is charged with:

- ▶ Setting and communicating the company’s vision, strategies, and objectives;
- ▶ Ensuring that strategy drives action by committing the requisite resources – both financial and managerial;

- ▶ Anticipating external challenges that will force the company to adapt its strategies and tactics;
- ▶ Fostering open information flow, both vertically and horizontally, within the organization;
- ▶ Balancing short- and long-term objectives to ensure that the urgent doesn’t crowd out the important, and the present doesn’t borrow from the future.

The EC structure provides a forum to bring the right people into key decisions at the right time. By vesting resource allocation decisions in this structure, top leadership can address BUs’ natural resistance to being held accountable for corporate performance in addition to their business unit results. By emphasizing corporate functions’ role in the broader strategic agenda, the structure can elevate the nature of those functions’ contribution. By focusing the agenda on driving strategic change as well as monitoring quarterly results, the EC can translate corporate strategy into an actionable change agenda with defined goals and clear accountability. And by tracking strategic initiatives separately, the EC can monitor the ongoing results of prior bets and determine whether to continue funding them or change course.

Rethinking the role of senior management in the current business environment presents its own challenges. Large-scale acquisitions, dramatic performance shortfalls, senior management turnover, and changes in competitive business drivers are transforming nearly every industry. However, by

consolidating and allocating resources through management roles, structures, and systems, senior management can vastly improve their chances of success at both the corporate and business unit level. By leveraging the combined business experience and judgment of the CEO, business unit heads, and senior

functional staff, an Executive Committee structure recognizes the mutual interdependence of the senior management team and provides the mechanism for promoting timely and relevant management dialogue that can effectively drive the performance of the various businesses and the company as a whole.



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