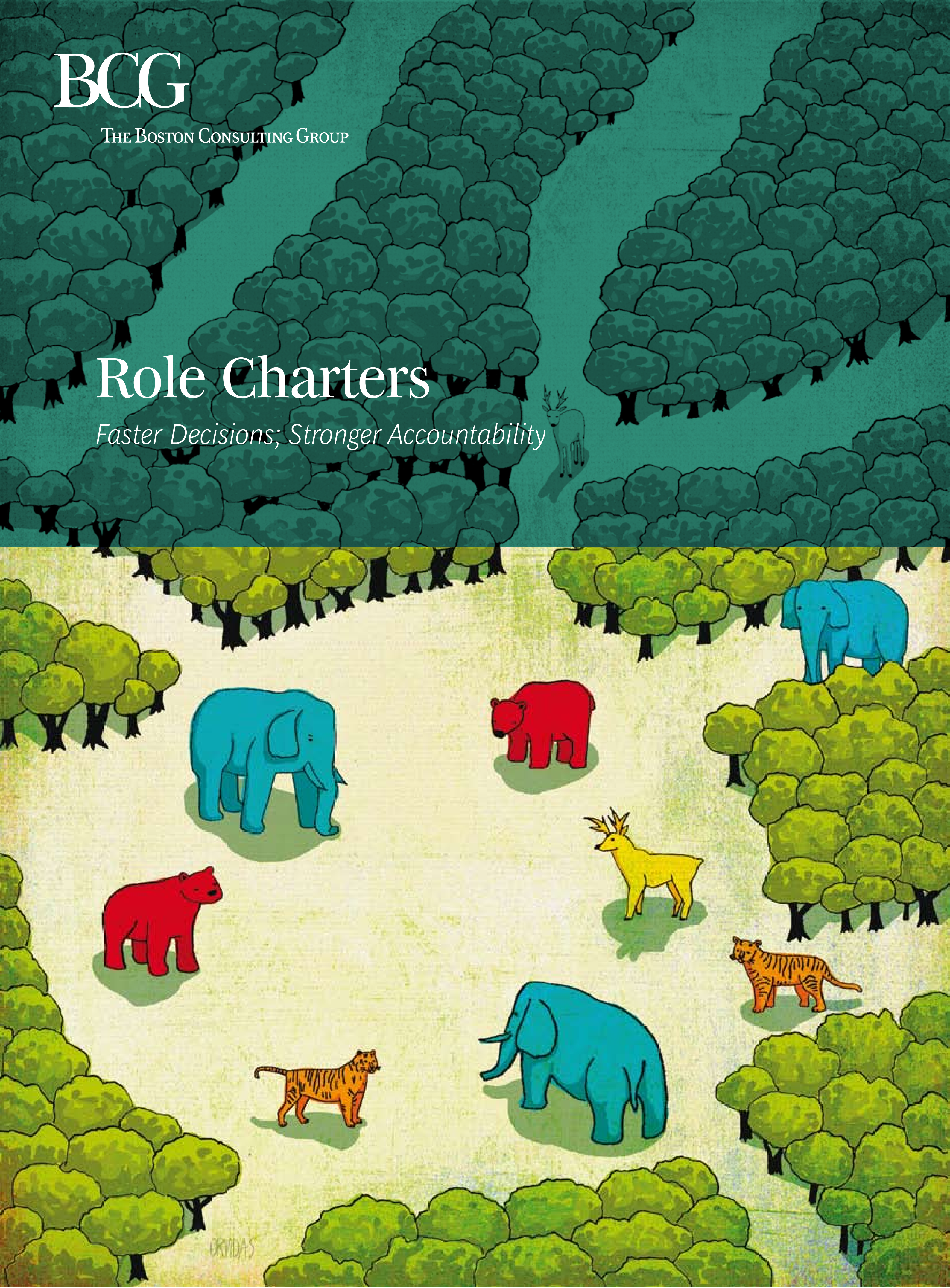
The Boston Consulting Group

Role Charters

Faster Decisions; Stronger Accountability



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Faster Decisions; Stronger Accountability

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AT A GLANCE

As organizations become increasingly global in scope and complex in structure, decisions that need to be made are often left unresolved. A tool known as a *role charter* can help ensure both effective decision-making and collaboration.

The End of Confusion: Beyond Job Descriptions
Role charters are active, living documents that are meant to imbue corporate strategy and vision into the daily work and purpose of the organization.

The Keys to Successful Role Charters
A handful of simple practices can help ensure that role chartering is not just another flavor-of-the-day initiative.

As organizations become increasingly global in scope and complex in structure, decisions that need to be made are often left unresolved. People who should be collaborating instead circle around one another warily—distrustful and hesitant.

A tool known as a *role charter* can help ensure both effective decision-making and collaboration. Role charters are simple instruments that enable tough conversations to take place so that key tensions among managers and leaders can be resolved. These tensions inevitably arise out of the complexity of matrix organizations—in which employees have multiple bosses—and the increasing need for collaboration across all organizations. But rather than address tensions, traditional HR processes often exacerbate them.

Role charters clarify accountabilities and decision rights and establish both behavioral expectations and metrics to ensure success. As such, the role-chartering process can be a powerful means of achieving high performance.

The End of Confusion: Beyond Job Descriptions

Role charters are not job descriptions, even though they may seem similar. Job descriptions are HR documents that reflect roles and responsibilities *as they exist;* they are not directly linked to an organization's vision, goals, and metrics. Role charters, on the other hand, are active, living documents that are meant to imbue corporate strategy and vision into the daily work and purpose of the organization. They describe roles as *they should be,* as well as the collaboration required among them.

Role chartering is generally conducted during the course of a corporate reorganization or transformation and is an integral part of BCG's approach to organization design. (See the sidebar, "Designing for Performance.") It is also effective in rallying a company around new growth opportunities, instilling new leadership behaviors, or facilitating other fundamental realignments. Finally, role chartering can put such initiatives back on track when there are signs of weakening resolve, slowness in execution, or failure to resolve conflicts over priorities.

Another key difference between job descriptions and role charters is that employees write their own charters in coordination with their superiors and colleagues. Job descriptions, in contrast, are often produced without the participation of the employees to whom they apply.

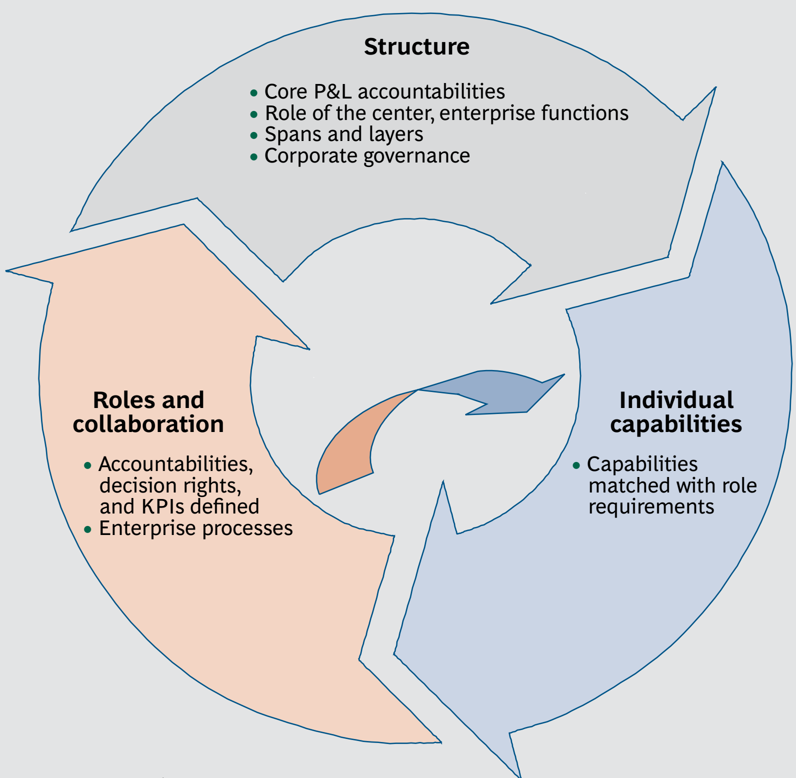
DESIGNING FOR PERFORMANCE

Organization design can and should provide an effective and practical resolution to many stubborn strategy and business-execution issues. If a redesign is to work, senior executives need to recognize that all three elements of design—structure, individual capabilities, and roles and collaboration—are essential in making a change. (See *Demystifying Organization Design,* BCG White Paper, June 2010.)

If an organization's structure is its skeleton, then individual capabilities are its muscular system, providing energy and vitality, and roles and collaboration are its nervous system. All three are necessary. (See the exhibit below.)

The best design will collapse if the right people with the right skills are not in the right jobs, and if their roles are unclear, overlapping, and confusing. Role charters can help unify all three parts of an organization into a well-functioning design.

Role Charters Are a Key Tool in Organization Design



Source: BCG analysis.

The power of a role charter lies in its creation. This process develops buy-in and commitment by fostering mutual understanding among executives and across management teams.

First, the CEO (or a business unit or functional head) translates overall corporate objectives into five related components of his or her role:

- Accountabilities that are critical to the success of the organization and for which he or she is solely responsible
- Accountabilities that are critical and shared with other senior executives
- Key performance indicators (KPIs) used to measure the execution of these accountabilities
- The decision rights that he or she requires in order to execute the individual and shared accountabilities
- Leadership behaviors deemed critical to the success of the enterprise

These accountabilities, metrics, decision rights, and behaviors serve as the "charter" for the leader, who then meets with all of his or her direct reports, sharing the charter and discussing each overall corporate objective. Next, all of these senior executives write their own charters. This is important because employees are the ones who know their roles best and how those roles overlap with others in the organization.

The power of a role charter lies in its creation. This process develops buy-in and commitment by fostering mutual understanding among executives and across management teams.

At first glance, the template for a role charter is just a page of boxes in which employees enter their individual and shared accountabilities, the key metrics by which they should be judged, and the decision rights that they own, influence, or can veto. (See the exhibit, "Role Charters Clarify Decision Rights and Boost Collaboration.") But there is gold in those boxes, as long as the right process is used to fill them out. Properly executed, the process forces leaders and employees to consider decision rights, accountability, behavior, and metrics simultaneously in a single conversation. It exposes issues that slow decision making and inhibit collaboration, and defines the expected achievements of the team. And it links roles to improved business performance.

When all the direct reports have completed their charters, each presents his or her individual charter at a workshop convened by the leader. This workshop is not just another corporate meeting. It is a whiteboard on which the ambiguities, conflicts, and confusions that naturally exist in any organization can come to the surface. It is here that the tensions among senior executives, between business units, and across the organization can be resolved.

This workshop should be run by a skilled facilitator. Its success or failure turns largely on the willingness and commitment of executives to take their charters and the role-chartering process seriously. If the leader overseeing the process treats it as a meaningful exercise, so will his or her direct reports.

Role Charters Clarify Decision Rights and Boost Collaboration

Purpose of the role General description of the role. For example: "This employee is responsible for defining and driving best-practice behaviors globally" or "This employee will drive project coordination, segmentation, and cross-business projects."

Individual accountabilities

Each individual's critical responsibilities, such as delivering quality products

Key collaboration network/collaboration

Key shared accountabilities	Mission-critical collaborators
Critical account-abilities shared with another member of the management team	Employees with whom this individual must collaborate in order to execute shared account-abilities

Key leadership behaviors

Behaviors the leadership team seeks to embrace, such as improved collaboration

Parameters for success

Key metrics	Organizational parameters
Critical performance indicators, such as market share, aligned with the organization's vision and goals	Organizational, governance, and legal structures, such as direct or dotted-line reporting relationships or decision ownership

Financial targets

Critical financial indicators, such as revenues or direct cost management

Decision rights

Owns	Influences	Vetoes
Decisions for which the individual is directly responsible, such as the product launch schedule and product budget	Decisions in which the individual's opinion counts, such as sales strategy and pricing decisions	Decisions that the individual does not control but has authority to approve or veto

Source: BCG analysis.

At the conclusion of the workshop, all participants should have a finished charter that dovetails with those of the other participants. Each charter lays out individual accountabilities with attached metrics, as well as expected leadership behaviors. When a responsibility is shared, the charters indicate who "owns" the final decision, who can influence it, and who can veto it. The charters give these joint owners not only shared accountability but also shared resolve.

Once the executives have agreed on their individual charters, they repeat the process with their own direct reports, who are given high-level objectives on which to base their individual charters. This group then holds a workshop and finalizes each participant's charter. And so on throughout the organization.

The role-chartering process typically takes from two to four weeks per layer, depending on the availability of employees to write their charters and participate in the workshops. And depending on the nature of the transformation or reorganization involved, chartering is generally conducted in the top two or three layers of the organization. Once completed, role charters should be reviewed annually or whenever there has been a significant shift in corporate roles, relationships, or power.

The chartering process is effective in two ways. First, it creates alignment on accountabilities from the top of an organization to the bottom. Because the process is structured, proceeding layer by layer, people throughout the organization are on the same page. And because employees have had a role in the process, they have a stake in seeing that the transformation succeeds. Discovered insight is always more valuable than insight delivered from above.

At a financial services company, for example, one business unit used role chartering to support a process of delayering and increasing spans of control, while another business unit implemented a traditional head-count reduction. In subsequent surveys, the employees of the business unit that relied on charters reported better morale and a better understanding of the initiative's strategic intent than did employees of the other business unit.

In addition, the chartering process creates alignment on accountabilities across the organization. At another company, a senior-executive workshop helped resolve long-standing differences between the corporate head of marketing and the marketing head of a business unit. Both executives left the workshop with a common understanding of their respective roles and a newfound appreciation for one another's point of view.

The Keys to Successful Role Charters

In working with companies to create role charters, we have discovered that a handful of simple practices can help ensure that the process is productive and enduring—that it is not just another flavor-of-the-day initiative but will instead become part of the fabric of the organization.

Horizontal Conversations, Vertical Implementation. Employees are accustomed to talking with their superiors or their direct reports and to working in teams. It is less common for them to talk honestly with their peers about how things should get done in the organization—who, for example, has the final say and who merely influences decisions. Without the forcing hand of role charters, however, these conversations are unlikely to occur, especially across organizational boundaries. The role-chartering process is a structured way to encourage honest conversation, bringing personal or hidden agendas to the surface.

Because employees have a role in the chartering process, they have a stake in seeing that the transformation succeeds.

The best way to implement role charters is through the layer-by-layer cascade described above. This method ensures that senior executives are aligned and that they transfer that alignment to the employees below them. But this is not top-down management by another name. In the cascading process, employees at all layers have meaningful roles and clear decision-making authority, thereby becoming invested in the outcome.

Action Plans with Buy-In. Charters clearly define roles, accountabilities, behaviors, and metrics. They are action packed and reflect real-world workplace tradeoffs in a way that job descriptions rarely do. Because employees participate in the drafting of their own charters, they are like chefs who eat their own cooking: if the charters are not realistic, they're the ones who will pay the price.

Fewer Is Better. Rather than lay out a laundry list of accountabilities and metrics, role charters focus on the most important ones. The process is like a funnel, with the conversations and charters at each layer narrowing down to what matters most.

For example, according to an analysis of the role charters with which we assisted, CEOs own an average of four to five key decisions, influence an average of two to four such decisions, have the authority to veto two to four of them—and have an average of four primary individual accountabilities. This might seem to be a limited zone of influence, but in fact it is the opposite. When CEOs are accountable for too many things, they cannot execute them effectively. Likewise, when accountability is shared among many executives, it is easy to point fingers rather than resolve issues.

Role charters give employees clear guidance on their responsibilities, on how they need to act, and on how they will be judged and rewarded.

By focusing on those accountabilities, metrics, decision rights, and behaviors that matter most, role charters give employees clear guidance on their responsibilities, on how they need to act, and on how they will be judged and rewarded. It's all there in black and white and discussed openly during the workshops. Even necessarily ambiguous issues—the shared accountabilities and decision rights—are laid out and agreed to in such a way that all those involved know their roles.

Shared Decision-Making. At modern organizations, responsibility is increasingly shared. Many of the most important decisions require input from several employees, and often more than one senior executive has a role. These executives may be housed in different parts of the organization and may have very different orientations. This is especially likely in matrix organizations, where even the ultimate decision maker, the CEO, increasingly has more shared than sole accountabilities. In such organizations, role charters are the best way to sort out accountabilities and decision rights.

It Starts at the Top. Role chartering should start at the top of an organization. Leaders are role models. If they are not committed to the transformation or reorganization at hand or the role-chartering process, employees will pick up on their ambivalence and amplify it. It is unrealistic to expect employees to work across organizational boundaries if their managers can't or won't do so.

But role chartering should not stop at the top. While it is helpful for all senior leaders to be on the same page, the real power of role charters is their ability to inject new ways of working throughout an organization. It may be impractical to implement role charters from top to bottom, but, as already noted, the process should be conducted at a minimum of two—and preferably three—management layers. Unless the effort reaches into the body of the organization, it is unlikely to produce lasting and meaningful change.

Role charters are not silver bullets. They cannot completely fix a poor structural design or inject into a workforce skills it does not possess. But they are a powerful lever to move an organization to strong and lasting performance gains. In our experience, gleaned through roughly 300 cases, the role-chartering process is a winner at improving decision making and driving accountability and business performance.

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