

Strategic Focus

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IS THERE STRESS in your boardroom? Hopefully; because the right amount of stress can be the catalyst to spark an effective board. A certain amount of stress is required within every organisation to bring out the creative tensions which generate new ideas to address old problems. Too much stress, though, and a board risks spiraling into unproductive wastelands.

Much has been written – and lamented – of the conformance burden outweighing the performance focus that boards now confront. Regardless of the regulatory environment, directors must seize back the strategic agenda, and re-prioritise their scarce resources of time, if they are to adequately focus on the matters their organisation must get absolutely right if it is to prosper – and if they are to fully serve the organisation and the owners they represent.



Properly channeled, positive and creative tensions will inform a firm's strategic agenda. Too little tension in the board room and directors risk becoming a passive board. In this situation, meeting time is wasted on compliance matters and the executive feel free to bring to the board, for rubber stamping, whatever proposal they think relevant at that point in time. Directors are asked to approve proposals that often lack appropriate forethought or preparation and usually have no, or faux, strategic context. If the proposal is approved, the executive go away happy, with the board being none-the-wiser as to how they added value. But at least they have a happy CEO. On the flipside, a rejected proposal results in a dejected executive. Either way, the board cannot win, and it certainly can't add value.

Too much tension, however, and the board becomes destructive. Many a director will know the damaging forces that can be unleashed by a misguided director, or directors, and little elaboration is required here. When economist Joseph Schumpeter adapted the Marxist theory of 'creative destruction' to economic innovation, he was referring to the creative gale of destruction in its relationship to industries. But Schumpeter's thesis on innovative forces for change remains just as valid in relation to the effective board.

For many boards, the continuing challenge is to get the balance right.

Strategic Elephants

In our experience, one highly effective way of bringing directors and executive together - with a constructive focus - is to jointly identify the strategic issues that are, or will, confront the firm over the next planning horizon.

Strategy designer John Argenti brands these issues 'strategic elephants': those issues that the organisation absolutely must get right if it is to prosper in the long run. And by long run, we mean years not months. These are the issues that will have a 20-30% impact on the organisation's bottom line, however that may be defined.

They are the matters the board should prioritise and on which it should spend up to half its time. Doing so enables directors to gain a deep understanding of the organisation and the landscape in which it operates, without over-stepping into the minutiae of management. It enables the executive to exploit directors' experience and wisdom in a way in which they are not tripping over each other.

The starting point is the annual strategy retreat. After reviewing the external environment and the internal situation, all these factors should be distilled into just the

few strategic issues. We recommend no more than half a dozen, lest the focus drop down into tactical or, worse, operational matters.

Once these are defined, the topics will form the foundation of the annual board calendar. That calendar should not just have meeting dates and standing items like budget sign-off, but should be informed by the strategic issues. Discussion on a single issue may run over several meetings, or it may simply be allotted a single discussion, depending on complexity and how the issue is framed. Defining the issue is critical. Einstein captured the essence of the solution wonderfully: "If I had an hour to solve a problem upon which my life depended," he mused, "I would spend the first 58 minutes defining the problem, for then the answer would be easy".

Such is strategy: spend the time getting to a clear and agreed definition of the problem. Resist the temptation to race to the solution, or the strategy, first. Hunting down and resolving the strategic elephants that confront the organisation over the next 3 - 5 years not only raises the sights of the board and executive out of the short-term operational and compliance matters, it forms an effective coalition to challenge organisational norms in ways that ensure the organisation and its beneficiaries prosper in the long run.

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