

Take the strategic perspective

Start now. Here are some tips...

Strategy is not an event, it's a perspective



Four areas of focus

-  **Strategy**
Strategy is the brain that directs your organisation. Strategy determines where you want to go, how you're going to get there, and how you'll know when you arrive.
-  **Strategic Risk Management**
With opportunity comes risk. Strategic risk management processes and tools make the most of opportunities in a calculated way.
-  **Leadership & Executive Team Performance**
Strong leadership and executive team performance creates an organisation greater than the sum of its parts.
-  **Board Effectiveness**
Effective boards manage their own performance and always seek improvement.

Ensure board, executive, management and staff know the purpose of your organisation

Ask:
Who is the organisation set up to serve?
What benefit does that ultimate beneficiary want?

Identify success and measure it

Next time you're in a meeting discussing a decision or strategic action ask 'how will we measure the success of this?' You'll be surprised at the conversation that ensues.

Strategy 1

Determine appropriate points for ongoing strategic dialogue. Write it into meeting agendas. Look at your annual calendar to ensure that longer strategy sessions are also scheduled at least every 6 months.

Schedule strategic dialogue

Review strategic issues regularly and define them carefully

Think about a successful decision you've made. What had the highest impact: the information available or asking the right question?

Integrate the consideration of risk into all key decisions and strategic conversations

Don't treat risk as a tick-the-box exercise. Instead, when developing strategies and tactics, consciously consider the unintended consequences and unexpected events that may arise as a result. Then design actions to control against the risk occurring and mitigents to minimise impacts if the risk does occur.

The threat is that a strategy may appear to be profitable whilst destroying shareholder value.

Assess strategies against the cost of capital

Prioritise strategies on the basis of the economic value created. Apply an up-to-date calculation of the cost of capital for the business to set the minimum rate of return required. Model the financial implications of strategies carefully.

Set minimum targets

Your organisation undoubtedly has a growth target. Now think about another target: a minimum. The minimum target marks the lowest return acceptable to your organisation's ultimate beneficiary. Modelling minimum targets provides a quantifiable relationship between your strategies and risks.

Strategic Risk Management **2**

The calendar is the key to linking the annual strategic planning cycle to a review of material business risks. You'll seize additional advantage through better preparation.

Calibrate your strategy and risk schedules

Take the time to prioritise your major decisions and activities

We are naturally inclined to focus on the short-term “management” issues as they get immediate feedback. Have the courage to ‘achieve less’, and what you’ll achieve will have greater value.

Agree a short charter of desired behaviours for the executive team

Your team’s potential to create value is partly due to their diversity – each individual brings a unique perspective and style to the table. Articulating the shared principles for interaction ensures everyone performs at their best. Review regularly, particularly when major changes occur.

Leadership team meetings should not be forums for announcements and requests. There are more economical and efficient communication channels for that. Design the leadership team meeting agenda to address the strategic issues confronting the organisation.

Define the goal of the team and only discuss issues that relate to that goal

Leadership & Executive Team Performance

3

Nothing destroys the perception of executive unity quicker than different interpretations of discussions and ‘leakage’ of ongoing or sensitive issues. Effective teams debate with many voices but speak externally with one. Devote time at the end of each meeting to agree what will and won’t be communicated.

Give consistent messages

**Build a
constructive
relationship
with the
executive**

Agree the board's desired level of involvement: passive; engaged; or, operating. Have your board explicitly define the information it requires to do its job. The board's role and requirements may change over time, so formally review involvement and reporting at least every 18 months.

**Take the time
to evaluate board
performance
regularly**

The board looks at the big issues your organisation is facing. Balance that outward focus by finding ways to enhance performance. To presume that board reviews are frivolous drains on resources or tick-the-box exercises negates the impact your board has. Reviewing director and board performance regularly is an appropriate action for an aware, value-adding board.

Some boards become trapped in operational matters and don't maximise their value-add. Strategize more – don't let compliance and day-to-day issues use up the board's resources.

**Allocate 30-50%
of your board
meeting time to
the discussion of
strategic issues**

**Support your
chairman, and don't
neglect succession
planning**

Absolutely essential to an effective board, the chairman structures the board's activity, directs focus and facilitates discussions. The chairman is also the crucial link between the board and the executive. Provide feedback and support to further develop the chairman's skills. Plan in advance for succession by defining the required skill set and groom candidates.

**Board
Effectiveness**

Assess Yourself

Identify areas for improvement

Think about your last board meeting.
What % of time was spent on compliance and operational issues?

0 – 25 – 50 – 75 – 100%

Look at the agenda for your next board meeting. How much time is allocated to strategic discussions?

0 – 25 – 50 – 75 – 100%

How many pages was your last board pack?

What proportion was value-adding, cutting right to the issues and identifying the attention required from the board?

Did it have all the information you required?

How would you rate your board's level of engagement?

Passive – Engaged – Operational

When did you last receive practical recommendations to further develop your capabilities as a director/chairman?

What is the annual revenue of your organisation?

How much do you allocate each year to enhance your board's performance?

How would you rate the value-add of your board?

Negligible – Adequate – High

List 5 key words to describe the behaviour of your executive team:

- 1.....
- 2.....
- 3.....
- 4.....
- 5.....

Would all members choose 5 similar words?

yes/no

Would you like any of these to change?

yes/no

What is the goal of your executive team?

<i>List the top 3 areas your executive team is currently attending to.</i>	<i>What is the outcome sought?</i>	<i>What message have the rest of the staff received about the matter and the progress made towards the outcome?</i>

Do you know your cost of capital?

<i>What is your top current strategy?</i>	
<i>What are the possible negative outcomes the strategy risks producing?</i>	
<i>What measure are you using to know when to review or stop implementing your strategy?</i>	
<i>What actions are you taking to prevent or control the possible negative outcomes?</i>	

<i>Who is your organisation set up to serve?</i>	
<i>What benefit does your organisation deliver to them?</i>	
<i>How do you measure the benefit you deliver?</i>	

<i>List the last 3 big decisions you've made, or strategies you've implemented.</i>	<i>How did you know if the decision/strategy was successful?</i>
1.	1.
2.	2.
3.	3.

<i>What are the top 3 strategic issues your organisation is facing?</i>	<i>What is the central question the issue raises?</i>	<i>Do you have the information you need to answer the question?</i>	<i>What is the impact of this issue on your bottom-line?</i>
1.		yes/no	
2.		yes/no	
3.		yes/no	

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w: barrington.com.au

e: consult@barrington.com.au

p: +61 8 9388 9500

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