



Multi-Speed Thinking in the Boardroom

In the face of ongoing disruption, organisations must be very clear about their purpose and make time to revisit their business model. At Criticaleye's CEO Retreat 2019, Marc Barber spoke to attendees about carrying out a strategic pivot

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The race to build scale and market share has resulted in many companies diluting their brand, losing their sense of purpose and increasing their exposure to risk. It's one of the reasons why numerous Boards are considering divestments and demergers, as they've realised they need greater strategic clarity.

At Criticaleye's recent [CEO Retreat](#), held in association with [Accenture Strategy](#), [E.ON UK](#), [Brewin Dolphin](#) and [Pinsent Masons](#), the discussion on Day 2 concentrated on how to formulate and then deliver on a strategic pivot. What can be done to ensure everyone buys into the new direction and is galvanised by a strong purpose?

Michael Lewis, CEO of E.ON UK, told the audience about the decision, at Group level, to divest from fossil fuels at the beginning of 2016: "Leading the energy transition is about taking a position and not just driving a commercial outcome – which clearly we have to do as a shareholder-owned company – but also changing something fundamental to lead to a more sustainable future."

He explained the strategy over the past decade has been to invest in renewables. Three-years ago, the company split in two, which transformed E.ON's strategic focus and how it engages with customers.

"Hopefully, we can supply energy not just as a commodity but as a partner with our customers – from the smallest consumer residential levels to great big consumers like Heathrow airport – and help them in navigating this transition," he commented.

“You can't see the short and long-term as two separate things”

The stated strategy and purpose are clear, but **Michael** acknowledged that work needs to be done on execution, notably in regard to people. "The question of culture is probably the single most important issue for us as an organisation," he said. "We have to change from being a technocratic, engineering-led organisation towards being a business which is about finding solutions for customers – that means building different kinds of relationships with them.

"We are really working hard to bring in skills from other industries, such as banking, telecoms and other consumer areas, to get a better understanding of how to build those relationships."

Doris Honold, Group COO at Standard Chartered, discussed the transformation that's underway at the bank which, until 2013, had enjoyed ten consecutive years of rising profits. "While it's easy to agree on some of the big strategic headlines, my focus and engagement was on the detailed execution plan," she said. "What are the enablers for us to move

forward? Do we have the right balance sheet and liquidity in the correct places? What does this mean for our technology investment? Do we have to change our risk appetite?

"Most importantly, where do we find investment to fund this growth, meaning what do we slow down and what do we stop? It really comes very quickly to prioritisation and choices."

Much of **Doris'** time has been taken up by building a consensus for change. "If you operate across an organisation in 70 countries, a lot of people have a lot of opinions, recommendations and preferences. So, you have to come up with a transparent and intellectually honest piece of work, which shows a compelling vision of where you need to slow down investment and where you need to accelerate. It's a case of getting buy-in to that plan by communicating with different stakeholders."

Setting a Course

In a poll taken at the Retreat, 61 percent of attendees said their executive team does not have the ability to execute on the medium to long-term strategy. **Andrew Minton**, Managing Director at Criticaleye, commented: "There is a huge amount of uncertainty and vulnerability across the corporate landscape. It's evident that even when the strategic direction is agreed at Board level, it remains a challenge to find executives with the right blend of skills to deliver it successfully."

Rachel Barton, MD, Customer Insight & Growth Strategy, UK, EALA Lead at Accenture Strategy, summed up the dilemma that CEOs and Boards are >



wrestling with when she said: “Business leaders are under incredible pressure to do two things at once: firstly, deliver on today’s pressing commitments and deliver the core business, and secondly, to invest in innovation that creates long-term success.

“Those two things can be conflicting. As a business leader, how do you prioritise whether to invest your cash in upgrading a contact system that is breaking, or start to experiment with AI that ultimately could automate transactions over a five-year period? There is only so much cash to go around, and those two things almost make it an impossible choice.”

Ruth Cairnie, SID at Associated British Foods and a Criticaleye Board Mentor, stressed the importance of clarity. “Strategy needs to be much more than a ‘strategy day’ once a year with a set of headline directions. It must be something that drives priorities, choices and deliverables through to a plan that is joined up in the short, medium and long-term,” she said.

“The execution has to clearly feed through into the long-term strategy so that it is possible to pause and see whether or not you are on track. You can’t see the short and long-term as two separate things.”

According to **Ruth**, problems are bound to arise when strategy is interpreted through multiple lenses. “There should be one strategy for a company. I always get worried when I talk to the Head of HR who discusses the HR strategy and never mentions the Group strategy, or the Head of IT with the wonderful IT strategy, and so-on and so-forth.

Everything that the company is doing needs to be part of delivering the Group strategy.”

Reflecting on her former role as Executive Vice President of Strategy & Planning at Royal Dutch Shell, **Ruth** explained how the decision was taken to focus on being the best in specific areas. “We didn’t want to be ‘pretty good’ at doing lots of different things. We knew that we were very good at some projects, like deep water, so we were keen to make sure we shaped our portfolio more towards the things where we could be better than the rest of the industry. We then had to deprioritise some other areas where we weren’t differentiating.”

This underpinned everything else that was done. “It drove our exploration strategy, technology development, production focus and project execution. Everything needed to come together to move in the direction we wanted.”

Consistency, courage and intellectual discipline are required if organisations are to steer a course through seemingly conflicting strategic priorities, especially in relation to balancing the old business with the new. **Rachel** said: “There is a challenge around what I term a ‘single-speed Board’. What I mean by that is, most Boards have individuals on them that observe similar tenures within an organisation – it’s often a culmination of 25-30 years-worth of experience, and they will join a Board and leave it at roughly the same time.

“This creates an aversion to risk, because nobody wants to end a very successful 25-year career by messing something up and making the wrong decision. You don’t want that to be your legacy,

even if it turns out to be the right thing in the future. This pressure creates a lot of tension around the ability to manage the short, medium and long-term.”

If confidence in the ability of senior executives is to increase over the coming years, then CEOs and Board-level directors must, at the very least, be sure there is certainty about where the business is playing to win. At present, there continues to be far too many strategic paradoxes in organisations, where senior leaders are over-stretched because they are asked to deliver on the numbers for the legacy business today, while building for tomorrow.

Boards need to show more conviction in investing for the future. ■

CEO Retreat Research 2019

To find out what CEOs revealed were their most pressing issues in 2019 click [here](#).

Featuring Commentary From:



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