Providing Strategic Leadership

By Professor Coulson-Thomas

Is your business led by a board that provides clear strategic direction? Many boards just react to events rather than proactively guide their organizations towards the achievement of corporate goals. The very people who should be the fount of corporate drive and purpose are frequently plagued by insecurity and doubt. If the allocation of responsibilities between board and management is unclear, confusion can result.

Ideally a company should be led by an effective board of competent directors. Yet this is often not the case. Many directors are uncertain as to their directorial duties and responsibilities and fail to distinguish between the different roles they may have as a director, a manager and an owner.

According to 'Developing Directors' (Policy Publications, 2007) a new handbook for building an effective boardroom team, one should not assume directors are competent. Rarely is there a clear path to the boardroom or are qualities sought in new directors made explicit. Hence, many managers with directorial ambitions find it very difficult to prepare for membership of the board.

Once appointed, if executive directors are assessed at all, they are likely to be evaluated in terms of their managerial performance in running a department or activity rather than their directorial contributions to the business of the board.

Many directors fail to identify and address their own deficiencies. Some do not even recognize the need for improvement.

Another new book 'Winning Companies; Winning People' (Policy Publications, 2007) examines what directors of boards that provide clear strategic direction do differently from those that do not. Let's start with 'losers', the directors of companies that struggle and fail.

Directors of loser companies do not distinguish between operational and strategic matters. They get lost in the detail and are reluctant to delegate. Board meetings are rambling, unstructured and unfocused. Attendees are unaware of their directorial duties and responsibilities and oblivious of developments in the marketplace.

In comparison, directors of successful businesses - or winners – are more likely to establish an effective board. They are aware of their directorial duties and look ahead, identifying obstacles and opportunities. Regular meetings and accurate minutes enable specific responsibilities to be allocated and subsequent actions monitored.

Losers avoid confrontations. Their meetings have a tendency to become polite rituals. Winners are much more willing to challenge, critique and probe. They question colleagues and hold people to account.

One way of encouraging challenge is to appoint two or more independent directors to a properly constituted corporate board. Among smaller companies losers tend to avoid this step. They worry about the costs involved and the risk of losing control.

People who are not subject to checks and balances sometimes 'go off the rails'. External parties may sense danger when they encounter a board consisting entirely of founder entrepreneurs who are still active in a business and insist upon calling the shots. Those who initially establish an enterprise may not be the best people to take it forward to the next stage of development.

Customers, employees, creditors, business partners and investors may all be reassured by a balanced, confident, capable and committed board. The involvement of effective directors with the skills and experience to encourage and support the further growth of a company can result in a premium being attached to share valuations.

Boards of losers concentrate upon the discussion of past performance and formulate general objectives that are imposed upon the people of the organization. When outcomes fail to match expectations results are fudged, concealed or rationalized, or spin is used to make them appear better than they really are.

In contrast, the directors of winners engage in regular reviews and continually monitor corporate performance. They focus upon resolving issues and taking steps to improve future competitiveness.

The direction and guidance that directors of winners give is simple, clear and specific, and they themselves act as role models. They operate as they expect others to behave. They assume accountability for their actions, conduct and decisions and they encourage accurate reporting and honest feedback.

When observing the principles of good corporate governance, losers focus on compliance rather than performance. They think in terms of current structures rather than future opportunities. So long as the right committees are in place and their members turn up for meetings, directors are thought to earn their fees.

Winners are more concerned with what the board and its committees actually do, for example to release talent and build and mobilize the capability to deliver greater value to customers and achieve corporate objectives. They provide strategic leadership and ensure their companies remain vital and competitive.

Losers tend to follow others and be reactive. They look over their shoulders, benchmark and copy. They are insensitive, unaware and fail to anticipate events. Crises catch them unawares and they struggle to respond. Their lack of foresight puts them under time pressure and their inflexibility limits their options.

Losers can be a salesperson's dream. They meet people with services to sell even though they may not have identified a requirement for what they are offered. They fall for sales patter and divert resources to distracting activities. Smooth talkers can lead losers by the nose. Flattery can be used to persuade them to seek a listing.

Yielding to pressure or going with the flow is felt by losers to be easier than weighing up the options. Better alternatives are not considered. Observers may wonder whether the board or external advisers are calling the shots.

Winners are more pro-active. They identify organizations they would most like to have as customers, suppliers or business partners. They analyse their aspirations, strategies, requirements and capabilities.

They initiate contacts, suggest discussion topics, craft tailored offerings and submit proposals that benefit all parties involved.

Losers are tempted and distracted by personalities and surface appearance. They make the pursuit of the visible and the formulation of acceptable rhetoric a key element of policy, exaggerate achievements and talk up future prospects.

Losers conceal deficiencies and avoid grasping nettles and confronting harsh realities. They also close gaps between aspiration and achievement by lowering expectations; and rationalize their failure to deliver. Insecurity leads losers to want fast results. They are vulnerable to probing questions by auditors, shareholders and investors.

Winners are more willing to probe, ask questions and challenge fundamental assumptions. They avoid rhetoric and focus policy upon the reality of actual achievement. They give a balanced account of what has been accomplished and endeavour to make accurate and responsible forecasts.

In addition, winners acknowledge and make explicit gaps between aspiration and achievement and assess, address, manage and endeavour to close them by taking steps to raise achievements rather than reduce aspirations. In so doing they are not afraid to tackle difficult issues, take tough decisions and address realities.

Winners survive and learn from setbacks and persist in striving to achieve what they have set out to accomplish. While recognizing that some customers and investors may be impatient they are prepared to devote the time it may take to achieve a desired outcome. As a consequence winners obtain the satisfaction and fulfilment of accomplishing much of what they set out to achieve.

About the Author

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Publication issued on 1 August 2014