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### Five key ingredients of Successful Strategy Formation – Interview with Patrick Haighton



Patrick has advised CEO's and their leadership teams on turnaround strategies in some of the worlds most successful companies

including GE, Pitney Bowes, Standard Chartered Bank, and American Express.

In this interview, Patrick speaks about what he believes are the main ingredients of a good strategy. He should know, he talks candidly about the transformation of Standard Chartered Bank started in the late 1980's through strategy renewal designed by Patrick and his colleagues. The culture essentials remain in place today and helped Standard Chartered Bank weather the financial storm that has recently wrecked such havoc on competitors. Patrick also speaks openly and controversially about the management consulting industry. In addition, Patrick reveals his secret sauce for unearthing real value in the strategic evaluation process.

Patrick believes that strategy formation is only as good as its ability to be implemented. Below we list his five key elements for successful strategy formation:

1. Go back to the basic and fundamental purpose of the business and focus attention on the essential competitive necessities

2. Build the strategy in conjunction with a clear understanding of the organisational culture – develop and match the two together
3. Listening is critically important when performing a strategy evaluation. This is not as easy as it sounds: taking the time to understand the meaning others are placing on the language they use, teasing out the core attributes and skills for success, identifying the connections that really matter, gradually filtering out and promoting the good ideas, discouraging others and discarding unnecessary complications
4. Design for rigorous disciplines and standards to be applied to business fundamentals across the whole business and ensure these are implemented
5. Reduce top-down strategy leadership to simple statements of intent and championship. Build action steps from bottom up, encourage the 'how-to' ideas of people in the business. Having well researched and heavily documented strategy at the board can and does have a numbing impact on strategy implementation, especially when it is not created within the organisation.

According to Patrick, ***"Strategy needs to be built with culture"*** He says he stumbled on this idea when coming at it

from the perspective of developing a logical understanding business purpose. He went on to say, “working back then, with executive responsibilities for strategic planning, I realized that things wouldn’t fly as expected but didn’t have practical answers as to why. I was fortunate enough to meet someone who gave me the insight that strategy and organizational behavior are inextricably linked, and you have to work with both at the same time”.

Patrick’s view is that **“Strategy is about understanding the fundamental purpose of a business”**. He feels that the real value of listening is the interviewers ability to put to one side any prior knowledge, expertise and understanding of an industry, and make people explain things in the simplest possible terms. Patrick suggests that the freedom to be humble and ask basic questions produces some profound insights into what a business is really about, what really matters, why things are done the way they are, what the purpose is, and how the customer values what they get.

Very often, the daily complexities of running a business, get in the way of the original business objective. However, if you re-evaluate this situation in a very simple way and ask some very basic questions, you can get executive teams to rediscover the business fundamentals and actually simplify what they do, blowing away extraneous and irrelevant clutter. Patrick’s enquiring mind and quiet confidence enables him to ask some deceptively simple but powerful questions such as:

- How does this work?
- Why does this happen?
- How do you do that?
- Why do you do that?
- What technology makes that happen?
- What have you created?
- What can you do that no-one else can?
- What are you proud of?
- What do your customers think?

According to Patrick, “familiarity with a business protects it from in-depth executive team scrutiny and review“. Questions probing below this radar, reveal unchallenged assumptions, and stop executives saying things like ‘come on, you must already know that’ - a blocking response that simply gets in the way of the executive thinking hard about the basics of the business.

***I asked Patrick for his view of management consultants.*** Patrick observed that “this is an odd question to ask, because we are both management consultants, however, I have good reason to think that Top Tier Management Consultants are not good at implementing strategy. Looking back over my own consultancy career, the best clients I have ever had, are the ones that I became involved with after they had invested in a McKinsey, Booz, or Bain led consultancy, had an incredibly well researched and documented strategy, put together and presented to the board in a massive and glossy tome, who then had not the slightest idea of what to do next”

Patrick went on to say that in his view, none of the big strategy consultancies are well suited to manage a strategic renewal process in practice. He suggested that the reasons for this was that the high-end consultancies have no real empathy with business managers, did not have particularly good, well honed, work-place people skills and certainly had little capability or interest in thinly spreading high priced consultancy resources in large organisations to make strategy implementation work. Their economic model is built around teams. Patrick’s view is that you do not need a consulting team for strategy implementation but instead, experienced leadership of managers in the organisation with an excellent ability to coordinate and cajole, supplemented with specialised training to handle change, “consultants lose track of flexibility and purpose in the management of strategic

transformation - a combination of impatience for progress and patience to let things evolve is essential”

Patrick went on to say that “If you look at transformation efforts, you will see those that have gone well but plenty that have not. ***I was at Standard Chartered Bank for a five-year program that was arguably one of the most notable transformations within Financial Services.*** Standard Chartered changed from a colonial model based on countries, to a global commercial super star with a very clear idea of what it was about. We introduced much improved banking and risk disciplines and applied these successfully and in a standard way across the world. The financial problems that subsequently emerged during the financial crisis were, for the most part, avoided by Standard Chartered Bank, because such disciplines remain permanently embedded in its culture all these years later.

Patrick went on to describe the disciplines that were introduced into the bank;

“These disciplines were really very basic, for example, understanding credit decisions, understanding balance sheet management and understanding particular portfolio aspects of balance sheets – having a very profound view of how much or how little business you can do before it becomes an unbalanced risk in its own right. These disciplines were applied in a consistent way across the world with single focused global responsibilities for the core businesses of the bank”.

“When we first got involved in Standard Chartered Bank in 1988, they had expanded beyond what their capital could support and independent survival was at risk. We had to move fast in order to shed assets and bring the capital base back in line. We sold buildings around the world to pump up the capital ratios, reduced exposures that threatened the stability of the balance sheet, sold businesses that were

not significant to the core, and in a very detailed way, analysed what the bank was about in every region of the world. We arrived at the view that it was a bank focused on international trade, particularly with China and South-East Asia and to a lesser extent with Africa and the Middle East – but beset by local variations and disjointed management. For instance in India, 29 managers at various levels signed off corporate credit decisions which effectively meant that no one was taking loan book responsibility or managing loan risk. We resolved this kind of issue and a myriad of others by focusing on a global commercial culture, clear lines of international responsibility and consistent operating standards and information flow for global products and services.

***“We have developed culture mapping as a disciplined way of understanding behaviour.*** It is an extremely good visual way of explaining the components of behaviour and how they inter-relate - without the need to explain the detailed preparation techniques or even how the conclusions were derived. This methodology allows quick recognition and buy-in from the management team focusing on the outcomes and the priorities”

***I finished the interview by asking Patrick what secret sauce was?*** His response? “being humble and very careful in the use of language, even the word “strategy” can and does, mean different things in different circumstances to different people, and very quickly, if you are not careful, you can end up having conversations at cross purposes. I try very hard to use ordinary language, simply because of the real risk of misrepresenting words and meaning that have a particular cultural resonance with organisations and individuals. We need to tread very carefully here. Every organisation has its own language and you need to understand what they mean by the words they use. It is unhelpful to come in with your own meaning for these

words, or indeed to parade the methods, disciplines, processes and techniques which you use to help a client”.

According to Patrick, “my success as a consultant is measured by the success of my clients. It does not matter if some of my recommendations do not get acted upon exactly as I envisage if in the process my client gets fired up to do something else that pursues the

purpose effectively - it’s the outcome that matters most”.

Patrick is leading a new strategy service for Ennovate and can be contacted on +44 7974 352566.

Interviewed by Ian Duncan, Managing Director of Ennovate. Ian can be contacted on +353 86 3882499.

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Web: [www.ennovateconsulting.ie](http://www.ennovateconsulting.ie)  
Email: [info@ennovateconsulting.ie](mailto:info@ennovateconsulting.ie)

Our mailing address is:  
Ennovate Consulting  
12 James Terrace  
Malahide  
Dublin  
Ireland

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