Balancing short and long term perspectives in leadership

Quick Quick Slow

July 2010

A Report by The Leadership Council

Over the past few months, we have interviewed thirteen leaders in business and public life about one single idea: how to balance short and long term.

Rushanara Ali
MP Bethnal Green & Bow and Associate Director of the Young Foundation

Baroness Bottomley of Nettlestone
Chair, Odgers Berndtson Board Practice

Brigadier (Ret'd) Ed Butler
CEO, CforC Ltd and former Commander of British Forces in Afghanistan

Ronan Dunne
CEO, O2

Jose Manuel Entrecanales
Chair and CEO, Acciona S.A.

Ray King
CEO, Bupa

Ken McMeikan
CEO, Greggs

Richard Parry-Jones
Chair, Automotive Industry Growth Team for the UK Government

Julia Peyton-Jones
Co-director of Exhibition and Programmes and Director, Serpentine Gallery

Ian Powell
Chair and Senior Partner, PricewaterhouseCoopers

David Ross
Founder, Kandahar and Co-founder, Carphone Warehouse

Hector Sants
CEO, the FSA

Peter Simpson
Managing Director, Anglian Water

We are grateful to them for their time and attention (and in many cases for the opportunity to work with them over the years).

This is the fourth in a series of short papers on issues of topical concern to leaders. It is published under the guidance of The Leadership Council.

ISBN 978-0-9561113-2-6
Published by The Leadership Council

Frequent flyers (prioritising short-term facetime over long-term footprint) are also frequent and frustrated users of tarmac-to-terminal transfers. Between plane and customs in Washington a few weeks ago, my head full of the interviews I'd been doing for this research, I found myself strap-hanging in a bus, looking into middle-advertising-distance. Two posters were placed right next to each other: one was keen to let me know of the terminal-wide easy-access defibrillators (they'd obviously been keeping tabs on my in-flight consumption), the other wanted me to be sure not to miss the multi-faith prayer space. Life-and-death stuff – but also a classic vignette of short term vs. long term: the topic I'd spent the best part of two months thinking about and talking about with the stellar panel whose views are gathered in this report. It left me wondering whether less time spent airport hopping, chasing round the planet for deals and dollars, would leave us less in need of medical, or spiritual, first aid.

This report is written at a moment when, having enjoyed nearly a decade of tremendous growth, then hitting the buffers, we can stand back and think – do we want to return to the same speed as before? Do we want to bring our natural appetite for short term gain, and our knowledge that our individual and collective future is a long term game, into a more robust and healthy debate? We've had *Quick, Quick,* and *Slow* (anyone who disputes that we've been through 'slow' should think back to the ghost town atmosphere of London eighteen months ago). What next?

As co-founder of Carphone Warehouse, David Ross helped create one of the most dramatic success stories of the *Quick Quick* phase of this sequence. During our interview, he reflected that *obsession with immediacy was not a new or sudden development - it had been building throughout the decade, with a growing focus on the part of many people and companies on discovering a way to instant success. Looking back one can see a compression of the time horizon – everything getting faster and faster. I feel we could be seeing the same effect now in reverse; people now have no choice but to think longer term. We could be in for a slow decade and that may be no bad thing. Having said that, human nature always wants results fast – so this is more of a hope than an expectation.*

In 1986, the journalist and activist Carlo Petrini, outraged at the planned opening of a McDonald's at the foot of Rome's iconic Spanish Steps, organised a protest that gave birth to a whole new movement: Slow Food. It started off as a simple piece of cultural conservatism, but has become the inspiration for something much more profound. Since then, slow food and a whole 'slow philosophy' around it have spread from Italy around the world, with whole cities signing themselves up as 'Cittaslow'.

Could it be the right time for a slow business movement? We're not the first and will certainly not be the last to ask this question, though perhaps we should take some warning from the fact that googling for 'slow business movement' takes you to a piece from the *treehugger* blog[1] as the top hit; and that it's hard to climb the Spanish Steps today without wading through burger wrappers.

We have all grown up in business and political life with the familiar slogans of *standing still is not an option, change is the only constant,* or the Bill Gates mantra of *Business at the Speed of Thought* (aha, so that's why Microsoft comes across as exhausted and exhausting). As Hannah Arendt warned as long ago as 1958, *under modern conditions … conservation spells ruin because the very durability of conserved objects is the greatest impediment to the turnover process, whose constant gain in speed is the only constancy left wherever it has taken hold.*[2] It's a very short step from such arguments to saying that our economic and perhaps our political system in their current forms are the enemy of the long term.

When I had the pleasure of interviewing Virginia Bottomley for this report, she talked about being *brought up as a hair-shirt Fabian,* before *serving in Mrs. Thatcher's somewhat puritanical Cabinet. Sacrificing the short term for the long term, or the idea that if it isn't hurting it isn't working, is second nature to me. When New Labour came in and all the talk was of focus groups, it was clear we were looking at a very different culture: the message was that you could have whatever you want, that short term perspectives had complete validity.* Or, as Meryl Streep is rumoured to have said, *instant gratification isn't soon enough.*

Ed Butler, former Commander of British Forces in Afghanistan, makes a similar point in his interview: *we're caught in a trap between addressing problems that typically take a decade or more to fix, and short-term political horizons based on elections, the media, Treasury allocations and public opinion.* Change the definitions and we are not far off Kevin Laverty's academic analysis[3] of the five forces which conspire to make individuals *undervalue future outcomes* (*flawed management practice* which applies over-zealous discounting to investment plans and hence blocks them; *managerial opportunism* which feeds off insecurity of tenure and a short-term reward culture; *stock market myopia; fluid and impatient capital*; and *information asymmetry* whereby managers fail to communicate sufficient data or context, leading stakeholders to disagree with decisions).

Somehow our culture has managed to develop the splendid contradiction of being able to use 'short-termist' as a recognised slur on the respectability of someone's thinking, at the same time as revelling in our own addiction to short-term wins. It's as though Bogart and Baccall had gone around flinging the word 'smoker!' at each other as a stinging insult.

To be fair, some of our interview panel point to upsides from short-term thinking. Richard Parry-Jones, who chairs the Automotive Industry Growth Team for the UK Government, mentions as one example the positive effects of increased working capital discipline driven by short-term pressures. And speed has its robust defenders: Rushanara Ali, who recently re-took Bethnal Green and Bow for Labour from George Galloway, is characteristically plain-speaking about this: *I'm someone in a hurry and want things to happen fast.* Should we not want energy and impatience in our leaders? As Ronan Dunne, CEO of O2, puts it: *a lot of organisations go through elaborate navel-gazing about theoretical positions. The great thing about being in a crisis is that you have to make really stark choices with immediate impact. With things moving so fast the data points aren't always there. Gut and instinct come to the fore, and those who can trust and follow their instincts tend to come out on top.* This view, which could be described as a type of Leadership Darwinism, echoes through many of the pages in this report. Speed, crisis, the need to make things happen in the short term and respond rapidly to events, become the laboratory in which the mettle of leadership is tested.

So was Larry Adler right when he said *the long term versus the short term argument is one used by losers,* paving the way for George W. Bush's sneer about *the vision thing*? Are long-termists essentially like Lear, who when he has lost all to Goneril and Regan, impotently conjures up images of long term revenge? *I will do such things - / What they are, yet I know not: but*

1. http://www.treehugger.com/files/2009/05/slow-business-a-manifesto.php. Last accessed 19.6.2010.

2. Arendt, Hannah (1958) The Human Condition, Chicago: University of Chicago Press.
3. Laverty, K. (1996) 'Economic "Short-Termism"'in Academy of Management Review, Vol 21, No 3.

they shall be / The terrors of the earth! Seen this way, long-term thinking becomes at best a consolation prize for current failure or struggle. The less able we are to control our immediate destiny, the more important it is to our pride that we set our eyes on a better, if vague and distant, tomorrow. It's not hard to think of recent political leaders around the world who have sought this kind of rhetorical refuge.

Two telling examples of flawed 'vision things' came up during our interviews. The first, from Anglian Water, was a weak pseudo-vision based on the once-trendy notion of outsourcing core activities. *The logic behind it was that contracting out would offset our regulatory risk,* Peter Simpson, Anglian's MD, states. *Clearly regulators aren't stupid and we jeopardised our relationship with them – which is the biggest single value factor in a regulated business. When that failed, the business went even more into its shell. It was a classic example of people fooling themselves that a short term tactical plan had a long term strategic goal. And in the end even the tactical plan didn't work.* The second, from the automotive industry, relates to the industry's problematic love affair with hydrogen fuel cells: as Richard Parry-Jones points out, *the dollars were committed because of a very simple and seductive argument: hydrogen is everywhere, use it in a car and the only emission is water. What a sound bite! It was also a great fig-leaf for an industry that continued to churn out thirsty trucks. But fundamental economics and energy physics tell us that a hydrogen powered fuel cell in a mobile application has no chance of ever being successful – so the investment was written off.* And, at the risk of seeming unsympathetic to a beleaguered giant which needs all the help it can get, is it possible to trace some of BP's current agonies to the disconnect between its visionary narrative of 'beyond petroleum' and the crude daily reality on Orange Beach?

Putting it bluntly, is the attempt to be long-term-visionary a mug's game, at best a hostage to fortune?

Interviewing Hector Sants at the FSA shortly before it was announced that he would be the new Deputy Governor of the Bank of England, I asked him the same question. His answer: *if you lose your orientation to the long term vision, you will fail.* Broadly speaking our interview panel would agree. The difficulty comes in ensuring first that the long term vision is robust, second that it is understood and believed, and third that it is seen and used as an enabler of short-term decision making rather than a stumbling block.

The elusive goal of bringing short and long term together is a common theme. Ken McMeikan, CEO of Greggs, talks about a camera lens continually focusing and refocusing between short and long term. Jose Manuel Entrecanales, Executive Chairman of Acciona, who has taken his own family company on an extraordinary journey from a construction industry base to becoming one of the world's leading renewable energy players, observes that *if you manage to find a way to make your long term intergenerational goals match your business objectives, you are in business,* while regretting that *too few people are using their imagination to reconcile objectives.*

Numerous studies[4] have shown that one of the biggest blocks on 'reconciling objectives' is the difficulty of aligning rewards with the long term. Rational, if short-sighted, self-interest coupled with higher levels of executive turnover create a disproportionate personal upside to favouring the achievement of short over long term goals. And, as Ken McMeikan notes, t*he typical annual structure of reward potentially drives short termism* – though as he points out this cloud may have a silver lining: *anger at executive remuneration may be one lever available to help re-engineer expectations.*

4. For example: Palley, T. (1997) ' Managerial turnover and the theory of short-termism' in Journal of Economic Behaviour & Organisation, 32.

It's clear, too, that the ability to 'reconcile objectives' can be dramatically influenced by ownership structures. *The absence of shareholders means that we don't have to worry unduly about what next month's profits are going to be*, points out Ray King, CEO of Bupa. *Our status helps us look to the medium to long term, and not be pushed off track.* Ian Powell, Chairman of PricewaterhouseCoopers, describes the advantages of *my proximity to the partners. I can put a very direct case to 850 partners in the UK that their short term income will be affected as we take those long term investment decisions.* Virginia Bottomley, a non-Executive Director of Bupa, shares Ray King's view and goes further: *I think we need to be more inspired by practical examples of doing things differently. John Lewis' success with their model, which has great transparency and where all the partners know what's happening, is particularly encouraging.*

At first hearing this may sound like a nail in the coffin of the PLC. But, while not wanting to discourage creative thinking about 'doing things differently', what strikes me most about these examples is the focus on *communication:* putting a case to partners, being transparent, making sure everyone knows what's happening. If that is possible in Bupa or John Lewis, why shouldn't it be so in a listed company?

Acciona is a fascinating case in point. Founded, majority owned and run by successive generations of the Entrecanales family, it's also a major force in Spain's Ibex 35 listed companies index. How does it pull the strands together? Jose Manuel Entrecanales tells how *I was encouraged by our latest strategic business plan presentation in Madrid this year. For us it marked a real breakthrough, giving analysts and the business community environmental and social objectives at the same level as our business objectives. I was expecting them to say 'what the hell are you talking about, go back to the numbers'. On the contrary. We made those triple bottom line commitments and it went down extremely well.* Ronan Dunne recalls the simple but smart expectation management of a major UK retailer in setting a respectable if unspectacular operating margin target and promising that this would be the basis of short term returns, while making it clear that anything over and above would be invested back in growth. It would be hard to find a neater case study of how to balance short and long term. These examples echo the innovative thinking of Robert Kaplan and David Norton[5], creators of the *Balanced Scoresheet* concept – one of the more interesting of the management theories so far developed to bridge short and long term thinking. It's clear that communicating one's own tailored 'balanced scoresheet', rather than playing to the gallery of commonly assumed metrics, can have tremendous power in liberating management and avoiding the problems of *information asymmetry* which so frequently sabotage relations between boardroom and investor.

Not that the premium on communication is limited to talking to the markets. Ray King sees *my prime job as articulating our vision and selling it to my employees.* Peter Simpson goes still further, recalling the origins of our word 'strategy' in *strategos*, the name given in ancient Greece to a battle leader: *his fundamental role was to lead from the front, to have a clear picture of what he wanted to achieve, and, importantly, the ability to communicate that to the troops. Half of this idea is about not only spending time on the big picture, but also communicating it and articulating it, and having enough connection to the front line to mould it as a living plan.* That sense of daily contact with the business, the action-by-action points by which a long term goal is seen to wither or flourish, is picked up by Ian Powell: *make sure that each one of your thousands of small, minute-by-minute steps, which express you and your team's behaviour and intentions, all change to be in line with the long term goal.*

5. For example: Kaplan, Robert S., and Norton, David P. (1996) 'Using the Balanced Scorecard as a Strategic Management System' in Harvard Business Review (January/February).

Vision, communication, behaviour. Coupled with the instinct which so many of our panel cite as fundamental, these factors seem to be the key to reconciling short and long term orientation.

But behind these it seems to me there lie two further and arguably deeper characteristics.

The first is *imagination*: Jose Manuel Entrecanales is surely right when he blames *a lack of imagination* for the failure to reconcile short and long term objectives. The art of creative thinking has never been so necessary – nor, it seems, so hard to find.

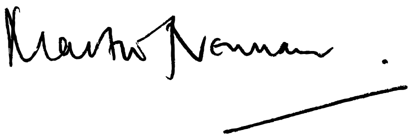
The second is *courage*. Ken McMeikan asks us to *think about what will be written on your headstone. Short term popularity is not the thing to go for if you want to be remembered as having made a real difference.* Or, as Julia Peyton-Jones, for over twenty years director of one of London's great creative powerhouses, puts it: *I consider one of the great arts in life is to see the potential and harness the energy to make a project happen. Often it comes to down to being brave and having a go. And that can be incredibly good fun.*

In the best traditions of a Leadership Council paper, this introduction would be incomplete without a call to action.

Our call to action is this: we invite anyone in leadership to think about their own project of reconciling short and long term orientation, and to do so through the lens of how they deploy three key attributes:

1. **A clear, simple, and robust vision**
2. **Open, transparent communication driven by a single minded focus on explaining the relationship between short and long term actions and goals**
3. **Behaviour which shows that the leaders believe and mean what they say**

This conversation is hugely important in its own right. But our experience goes further, and suggests that it is the magical property of a good conversation on these topics to be able to summon the elusive spirits of instinct, courage and imagination to the table. Not to mention fun.



Martin Newman
Partner, The Company Agency at CTN Communications
Director, The Leadership Council

martin@thecompanyagency.com

Rushanara Ali

MP Bethnal Green & Bow and Associate Director of the Young Foundation

How do you define short and long term?

I'm someone in a hurry and want things to happen fast. So for me, long term is two years. But much depends on context and you have to be pragmatic. I've been a social entrepreneur on and off during my career and especially over the past five years. I started up projects ranging from ones helping unemployed young people, developing summer universities, to youth leadership programmes to encourage a new generation to get into politics and public life and many others. What I learnt from my work is the importance of being persistent and persuasive when you passionately believe it's worthwhile to do what you are doing. Some things can take years to get off the ground and to grow and have the social impact that you are looking for. One of the projects I was involved in starting up - called Futureversity (formerly known as Tower Hamlets Summer University) which has successfully cut youth crime in the borough - took over ten years before the organisation could grow and deliver across London and other cities. While I would have preferred this to happen much faster - it's not always possible and you have to take the long view and try to identify people who have the power, resources and imagination to see the potential of a small idea to have big leverage and make a huge difference to people's lives.

The recession changed so much - and part of that change is that it focuses us perhaps more on the art of what is possible, which tends to be more short term, and less on the art of the desirable. This makes it all the more important not to lose sight of the long term. The steps you are taking - that you may be forced to take - right now may seem like less progress in the right direction than you would want.

How do you get the balance right?

This is going to sound like a paradox – and it is. What I am continuously learning is how to be patient at the same time as being doggedly determined and impatient. Never be put off, never lose sight of where you're trying to get to. Long term thinking is not a luxury – it's what keeps you sane.

I've also learned that setbacks – although they may seem terrible at the time – have a way of leading to new opportunities.

Ultimately if you have a long term view then even in a major crisis you will have a distinctive and clear perspective, you will be able to shine a light.

This interview took place before Rushanara Ali was elected as an M.P.

Baroness Bottomley of Nettlestone

Chair, Odgers Berndtson Board Practice

There is a growing debate about ownership structures and how these affect the balance of short and long term perspectives. What is your observation on this?

There is a great deal in our world that makes it easy for executives to focus on the short term. Quarterly results, personal reward, the pressure to make short term fixes to weather a downturn, unrelenting scrutiny of the share price. Even when people do talk about the long term, they often have in mind just the next 2/3 years, which is neither-here-nor-there-time. It's much the same in the public sector, where you have to align delivery with party political agendas, yet somehow build up energy and motivation in a huge organisation – all with an electoral timetable in the background. The natural course is to focus on specific achievements and results in a finite space of time – and then to move on, potentially leaving the aftermath behind for someone else to sort out.

By contrast I sit on the board of Bupa. Because it is a private company, we're free to build for the long term without looking over our shoulders at the share price. Similarly in many family owned companies I work with, where as long as succession is properly managed, long term perspectives can prevail.

It's right that people should articulate the discomfort they feel with the system as it stands. But if you look at some of the proposed solutions – for example the idea being floated that only long term shareholders should have voting rights – it seems likely that these would bring their own problems. I think we need to be more inspired by practical examples of doing things differently. John Lewis' success with their model, which has great transparency and where all the partners know what's happening, is particularly encouraging.

Are you seeing positive trends towards a climate of longer term thinking in executive team culture?

The most interesting trend is globalisation. There was a time when a leadership team would all know each other from a club or a school or a university, and that meant that broadly they had a set of shared values. That had strengths and weaknesses – cohesion came at the expense of a culture that was averse to rocking the boat. Now, people come with entirely different backgrounds, different cultural and ethical frameworks. Any company serious about having a global brand needs to develop training programmes which embed some common values and principles. Combining true diversity with a shared vocabulary around values creates a more robust and challenging style of leadership, and that is to the good in supporting and strengthening long term thinking.

And in society more generally?

I was brought up as a hair-shirt Fabian, and then served in Mrs Thatcher's somewhat puritanical cabinet. Sacrificing the short term for the long term, or the idea that if it isn't hurting it isn't working, is second nature to me. When New Labour came in and all the talk was of focus groups, it was clear we were looking at a very different culture: the message was that you could have whatever you want, that short term perspectives had complete validity. I am fascinated by the way in which young people buy expensive cars and take expensive holidays. Perhaps we may move back to a longer term approach across society, but I suspect that the compass may be still pointing in the opposite direction. I think we will continue to see people changing jobs more, buying more things, moving house, divorcing and marrying more often.

How much luck and how much judgment is involved in getting things right for the long term?

Life is full of people who probably made the right decision – but at the wrong moment. Likewise those who made a possible rash, bold decision and were lucky enough for it to go right are heralded. When you meet someone who has made a great and successful decision they often say that there was a slightly worse than average chance of success.

I hugely admire people who have the quality and skill to take critical long term decisions. I don't have this. I get results by working with people I like and trust, and trying to stick to values, and worrying about getting the details right, double checking and proof reading everything in sight to a degree that still surprises the people around me. That focus on detail is not directly to do with either short or long term thinking – it is part of the due diligence we all need to apply in order to protect our reputations. From the political world you know that disasters often arise from a trivial detail overlooked.

True leadership is all of that and more. Ultimately a leader has to make a decision, based on the facts available – and stand by it. That is the loneliness of leadership. The worst decision is frequently to make no decision at all.

Brigadier (Ret'd) Ed Butler

CEO, CforC Ltd and former Commander of British Forces in Afghanistan

What can we learn from the military about the tensions between short and long term focus?

Maintaining an expeditionary military is all about having influence, the ability to project power and to protect your supply chains over extended ranges and through increasingly hostile environments. These are by their nature long term issues.

From a military perspective, we're caught in a trap between addressing problems that typically take a decade or more to fix, and short-term political horizons based on elections, the media, Treasury allocations and public opinion. Successive British governments have not learned the lessons of quite how long it takes to solve a post conflict problem - 35 years in Northern Ireland and a decade in Bosnia.

Have we ever got this right?

In the Falkland Islands we were on our own, there was a strong statement of intent from Lady Thatcher, the objective was clear and finite: we went down there, did it and came back.

But that was arguably in a simpler world, pre 24/7 news...

Yes – a world without 24/7 media, and without the much wider stakeholder engagement that sits alongside it. Communicating with and, in some cases, appeasing the interests of a very diverse set of stakeholders creates a much messier process. We can see that as much in the case of a BP in the Gulf of Mexico, as in any conflict zone.

However, the fundamentals still apply. The most important thing is agreement on aims and objectives - Afghanistan was the 'Joint Venture from hell' in terms of conflicting interests, differing risk appetites and national capabilities.

Nine years into Afghanistan, we are only now looking at a proper Investment Appraisal in terms of the time and investment of human and financial capital (or more simply put 'blood and treasure') it will take to reach a successful conclusion – a conclusion, moreover, which we still haven't defined.

It's surprising how little detailed attention is paid to basic questions such as: 'how much is this going to cost?' or 'how long do we think this is going to take?'; let alone the more tricky questions as: 'what do success and failure look like?' and 'what if we had exponential success - could we resource it?'.

The Canadians, by making it clear from the beginning that they were in Afghanistan for a fixed time horizon, found it much easier to sell their commitment to their own public.

Maximum clarity – whether about the time frame, a clearly stated objective, or resources - is vital. You have to set that a really clear mission from the start and, if you divert from it, you had better have very compelling reasons to do so.

Ronan Dunne

CEO, O2

What's your definition of short and long term?

Am I trying to change outcomes or change the rules by which we play? If it's about outcomes, that's short term. If it's about changing the rules, that's long term. As a market leader we spend a lot of time thinking about strategic questions on the market and how it evolves. The success of O2 depends on our ability to change the rules of the game.

Has the crisis put pressure on you to think more short term?

Someone a lot cleverer than me said 'never waste the opportunity of a crisis'. The economic downturn had the effect of crystallising existing trends in our industry. It became clear that this would be one of those game-changing moments. I felt the pressure, but it was pressure to sort ourselves out for the long term, to create a decisive position that we could own and to redefine the sector ahead of our competitors.

A lot of organisations go through elaborate navel-gazing about theoretical positions. The great thing about being in a crisis is that you have to make really stark choices with immediate impact. With things moving so fast the data points aren't always there. Gut and instinct come to the fore, and those who can trust and follow their instincts tend to come out on top.

If it's about gut and instinct, can that be learned?

This is one of those nature or nurture questions – and the answer is it can be both. Natural self-confidence can help in crises, and that is not easily learned.

But other things can be learned. If you're clear on the direction of travel for your business, if you know what your brand stands for, then in the moment of truth you will be fine. Most short term decisions take themselves if you see them in the context of that direction of travel. A recent example – when the volcano erupted and people were stranded and worried, we set up zero rated help lines for all the major airlines in the world. All we had to do was imagine a customer stranded with their kids in a hotel in Spain, worrying that they're going to be on the phone to their airline for 45 minutes and end up spending a fortune. If we know what our brand is about we just do the right thing.

Personal values clearly matter for you alongside what a commercial brand stands for. Are those two sets of values ever hard to reconcile?

I've only ever had a small handful of employers in my life, and each time it's been clear to me that unless I could find the centre ground, the area of overlap, between my personal values and the values of the brand, it wouldn't have worked. That's the 'fit' I'm always looking for – whether I'm thinking about myself or someone who works for me. When you work out how your own personal 'north' augments or supports the goal, the vision, the values of a particular brand, that's where you will find the fulcrum point where you know you can achieve without reservation.

Shareholders are frequently blamed for creating a mood of short-termism. Can that be managed?

My favourite example is a major UK retailer who years back, when sector operating margins were benchmarked at around 5%, went to the market and said 'we will move our business to a 5% target margin, and to the extent we can outperform that we will invest in growth'. They were selling themselves as a solid if unspectacular income stock plus a growth stock with potential upside. The deal was crystal clear and highly compelling to investors – and it gave management a great deal of flexibility.

But you can only do this if people trust you. If they trust you, you can have a realistic grown-up conversation with them about short and long term and how to get the balance right. Incidentally that goes for internal stakeholders as well.

What advice do you have for the next generation of leaders in getting the short/long term balance right?

Take a young thrusting manager: almost by definition he or she will be desperate to demonstrate they've got what it takes, that they can exercise judgment and take clear decisions. I know because that was me once. Wiser heads look at this and ask, 'is that the right moment to use instinct and judgment or not - is it more of a data moment?' Knowing when to go back to the data, and knowing when to use judgement, this is the defining difference between being great and being average.

The clearest possible example of this is in negotiation. Never negotiate the facts - only negotiate the implications. I have seen so much energy wasted on negotiating facts in buying and selling businesses and doing deals: get the fact pack, then negotiate outcomes. In M&A that has saved me a huge amount of time and money.

Most of us have reasonable judgment. The trick is knowing when to use it. That's the most powerful lesson I've learned in business.

Jose Manuel Entrecanales

Chair and CEO, Acciona S.A.

How do you define short and long term?

I find that distinction a bit too simple. Generally speaking, I have three kinds of timescales: first, what I'm going to leave behind me; second, a ten year goal which fits into that; and then third, a six month goal. Most things between six months and ten years are negotiable. If you ask me what I am going to be doing in three, four, five years, I am not sure, it is all changeable in view of the reality of the next six months and the ten year prospect.

The first of these timescales, the idea of a life project with a multi-generational perspective, is very important to me and it is the one underlying most other decisions.

You're in the position of leading a strong family business which has been handed down over generations. How can leaders of 'normal' listed companies share that multi-generational perspective?

Ownership models matter, but I think the real question is what you are doing in your business. If you understand the long term role you are playing, the ultimate contribution you are making, and the kind of value you want to build. At the end of the day we all have children, or young people we care for. They will inherit the world we leave behind regardless of whether or not they inherit a specific business. Not taking a multigenerational approach is incomprehensible to me. Every business leader should aspire to leave behind something more valid than wealth, although creating economical wealth should not be seen as a secondary objective. It is indeed a necessary condition for an adequate business approach. But this is not sufficient in itself.

Do you get frustrated by the hot air sometimes spoken about sustainability?

I hear more and more people understanding the need to take action. The problem is that too few people see how taking action on sustainability fits into their medium or long term business objectives. It is something they feel they should be doing, but it is often seen as a cost, not as an opportunity. Worse is when people sense a disconnection between their long term personal interests and their business interests: when that happens, you can only ever pay lip service. If you manage to find a way to make your long term intergenerational goals match your business objectives, you are in business. I still see too few business managers developing a sustainability strategy that benefits their own company.

I blame a lack of imagination. Too few people are using their imagination to reconcile objectives. Take the banks. I think there is a fantastic opportunity for them to become the financiers of change and, in so doing, to create an entirely new and positive perception among their clients. There are a couple big US banks doing some of this, but not one is making it its trademark. Same is happening with retailers, only one very well known US brand is standing up and taking this forward, and it is proving to be a very successful strategy.

What impact has the crisis had on your short and long term positions?

The pressures of the crisis have impacted on the six month perspective, but they have not yet affected my ten year project. My biggest concern is that this crisis will turn out to be a prelude of what we are facing in the long run. When we come out of this crisis, in the next years or hopefully months, we may find ourselves in a much bigger one if we do not prepare for a significant change in our growth model. Our ideas of growth in the West, let alone in the fast growing economies, are somewhat flawed, although in the latter they need to adopt the conventional growth model in order to achieve basic levels of well being. But we, in the developed economies, cannot continue to try to grow based on the assumption that the primary resources on which we all depend will be lasting for much longer. In my opinion, the real underlying causes of the crisis are to do with the unsustainabality of the model. The perceived causes - over-leveraged financing, light touch regulation – are just symptoms. Just guess what will happen to the price of energy resources, to geostrategic instability, to emissions or to food prices, to mention a few collateral effects, if the western world would achieve the levels of growth we are trying to achieve. Simultaneous growth in the west with that of the lesser developed economies is simply not possible with the current economic model.

Can communications help bring about change?

Indeed, it is what should be driving change. It is what should be bringing social consciousness, which exists, to corporate strategy and vice versa. In general, conventional communications methods are exhausted, and the public is broadly speaking either bored or immune. The most interesting innovation I've seen recently is how GE have taken NBC, which they have always had in their portfolio, and begun to use it in a subtle way to develop channels that send a message out to society: it's been labelled 'behaviour placement' by the Wall Street Journal. It works as marketing and it works as a long term change mechanism. This is a revolutionary move in communication, and it is a great example of the imaginative leap you need if you want to reconcile long and short term objectives.

What's your own experience around the long term agenda of taking a leadership position on renewable energy?

Difficulties remain, principally the fact that the true social and environmental costs of extracting and burning oil and gas are still hidden. As I was saying before, we cannot expect all economies, rich and poor, to be able to grow based on fossil fuels. If we continue along this path in which we all compete for the same energy sources, energy prices will eventually soar and strangle growth. As for the environmental consequences, I think there is little doubt on where we're headed if we do not take serious measures. That is why the renewable model works because it allows us to dissociate growth from fossil fuel consumption, it gives us energy independence and it reduces our footprint.

Another example is water. It is still very small for us, single percentage digits of our P&L, but conceptually it is a key pillar of our business. The water needs of our society are at the heart of future sustainability. We can either start building a leadership position on that now, or wait for it to explode in 5-10 years and try to play catch up – by which time of course it will be too late. But energy is in the core of every industry, including the water industry, so it is essential that we work on energy in order to be able to eventually tackle the water problem.

I am not attached to any sector for sentimental reasons. I know that my goal is to make a contribution to long term sustainability, and right now that means renewables, water and infrastructures. Who knows what the next platform for contributing through business to long term sustainability will be – maybe it is food or biofuels, who knows. As long as the main concept is respected, it could be anything.

How do you reconcile the constraints to growth with your own desire to grow your business?

Aiming for growth for the sake of growth, continuing to use the same old unsustainable concepts, will definitely end in conflict. Growth needs to become a virtuous circle by which the growth factor creates sustainable wealth. Growth has to come from activities that contribute to solve the problems of the model.

In a European context, I miss a more profound debate about what we want the European model to be. Far too often, we are still using old economy metrics like manufacturing competitiveness and salary competitiveness to judge our competitive strength and viability. If Europe could seize what I believe is available to us, to lead the world in innovative and sustainable business solutions, we would be in a very different place.

I was encouraged by our latest strategic business plan presentation in Madrid this year. For us it marked a real breakthrough, giving analysts and the business community environmental and social objectives at the same level as our business objectives. I was expecting them to say 'what the hell are you talking about, go back to the numbers'. On the contrary. We made those triple bottom line commitments and it went down extremely well.

Ray King

CEO, Bupa

You took over as CEO at Bupa from Val Gooding in 2008. What were your short term priorities?

Val left after Bupa had a completed a number of major acquisitions. We had spent about £2 billion during a period of about 6 – 9 months, so my initial focus was on integrating those acquisitions. The two most important tasks, which were made more challenging because of the economic situation, were to ensure we retained our customers and managed our cash flow.

And longer term?

The good thing about healthcare is that it is a stable sector, relative to many others. Bupa is a very robust business: we have strong positions in many markets, and we're well-diversified between insurance, aged care and other health services. But to really push ahead, you have to create energy and drive so that you can move the game forward. We don't plan in detail for 10 years out but we do have a very clear vision of where we are going. This is important to establish because you need to know the destination and route of your journey.

You have to establish the long-term direction, although my experience is you can only communicate a limited number of messages about the long-term. The key is to empower people to get on with the job at hand, whilst ensuring they move forward on the same path.

So, we undertake scenario planning and trends analysis and we identify which ones matter to us. The issue that increasingly occupies our minds is the fact that healthcare is local - it has evolved differently around the world, driven in part by variation in technology, culture, politics and history.

Consequently, we have been very focused, while managing the short-term issues, on our vision. We are not just an insurance company; we are a healthcare company. What does that mean? It means we need to focus on delivering differentiated products and services for our customers that show we are their health partner. My role is to ensure we have all the people in the right places to take the business forward, and that we use our skill base properly to get synergies.

Bupa doesn't have a typical ownership model. Who is setting the agenda for short term and long term?

In terms of the distribution of my effort, I try to make sure that short term issues don't trap me. In terms of the wider question, of how we steer the Group, we are driven by our customers. We don't have shareholders, and our Board (heavily non-executive) takes responsibility for governance. We have 100 people who stand in the place of shareholders - called association members. At the end of the day we are a customer-focused company, and we are accountable to our customers. If they don't think we are doing a good job they tell us pretty quickly.

The absence of shareholders means that we don't have to worry unduly about what next month's profits are going to be, or the fact that we may want to invest a bit more one year meaning that profit won't be what it could have been. Our status helps us look to the medium to long term, and not be pushed off track.

Some PLCs are in a difficult position - events can come from left field and markets, investors and the media can be unforgiving. It can be a challenging environment and the best protection is to always try to be objective and tell it how it is. You have got to be robust about your long term ambitions, and be clear about how you are going to control your business with a sensible investment case going forward - then work back and explain the short to medium term in that context. That is the approach we have taken here at Bupa. If you have bad news, you should communicate it frankly and explain how you are addressing its cause, and not just hope that it will go away.

I see my prime job as articulating our vision and selling it to my employees. The vision has to be something that people can own and support. They want and need to understand the direction of travel, and you need to build this internally before you communicate it externally. A key building block of success starts inside the business, getting your management team and your people on board and defining together what success looks like.

What advice do you have for the next generation of leaders in getting the short/long term balance right?

You have to sell your long-term vision to yourself first. You have to have a personal vision about change, articulate it, and then be agile, flexible and realistic about how you achieve it.

Ken McMeikan

CEO, Greggs

Greggs has had unusually long leadership tenure. What has that taught you?

My predecessor as CEO and his predecessor both ran the company for a generation, and one of them went on in the non-executive Chairman role to complete a nearly 50 year career in Greggs. Both were committed to manage the business by taking the right decisions for the long term.

At the same time you can't ignore the short term pressures. Like a football manager, it may be great to build for the future but if you're not delivering results today you may not be here tomorrow. It takes great personal courage to get the balance right. In my two years at Greggs I have had to take decisions on a number of occasions which were right for the long term but unpopular short term. Then it's down to how good you are at communicating, and the track record of delivering results that the company has previously established.

I took over at the same time as the recession was hitting. For any leader going into a business in a time of crisis, you have a window to sort it out. But once you're in situ and have set expectations, if performance isn't in line with those you've set then your flexibility to talk about the long term is circumscribed.

Some of the people I've been most influenced by are constantly moving between short and long term and continually monitoring all the information, like a camera lens zooming in and zooming out. But the mass of data available, often conflicting, makes one of the great arts of leadership being the ability to know what data will lead you to make the right decisions.

How do you build clarity around your long term strategic direction?

I inherited a programme of converting Greggs from a decentralised to a centrally run business, and we are well underway with a five year plan to execute that. Having a strong narrative is very important, and all our stakeholders understand it.

Our main mechanism for keeping the business focused and on track with that programme is our annual strategy review. I put the success of these days down to depth of preparation, and making sure we ask the right big questions.

We prepare well ahead with the board and the executive team looking together at our long term plans. Three to four months go into making this a quality review with quality debate and the right decisions. That preparation means we have full support from the board. And the main questions we ask are not only about direction, they're also about pace. This in turn allows us to have a well-informed discussion with shareholders, analysts and the media about the long term strategic direction of Greggs.

It's like driving a car: you're thinking about what gear you need to be shifting into, not wondering about ditching the car and taking a bike.

How can long term focus be rewarded?

The typical annual structure of reward potentially drives short termism, and anger at executive remuneration may be one lever available to help re-engineer expectations.

There's something cultural at Greggs about the need to do what is right for the long term and have the courage to make that call. You have to ask 'Do people actually believe in the long term? Is there a consensus that taking a long term view is best for us all – our people, our customers and our shareholders?' If the answer is yes, then you can get progress: the question of how people get rewarded for their long term focus is fundamental.

For example, until very recently received corporate wisdom was that 'debt was good'. My predecessors didn't agree and they have been proved right. But they would not have been able to withstand the pressure to take on debt without personal courage, and a strong culture of support for longer term thinking.

What advice do you have for the next generation of leaders in getting the balance right?

Early on in your career you need to acquire the habit of looking at guiding principles. That means observing the underlying factors that drive business decisions.

In my early career at Tesco, I was taught that if I had to take a decision and weigh up what's right for the customer versus what looks right for the company in the short term, always favour the customer. It was drummed into me that taking the right decision for the customer was ultimately going to be right for the shareholders. By making principles like that completely explicit in the everyday running of the business, it's as though Ian MacLaurin or Sir Terry Leahy were there looking over your shoulder.

When you know what you stand for, never settle for lower standards. If you do, the business will surely unravel around you. Think about what will be written on your headstone. Short term popularity is not the thing to go for if you want to be remembered as having made a real difference.

A very practical piece of advice to people starting out is that early on, the decisions you make don't have the dramatic impact that those you'll make later on in your career will have. This gives you the opportunity to test yourself to do what's right, to apply underlying principles – and if you find yourself at sea as a result, you probably need to go back to basics and question what the principles are. Leaders without backbone are likely to fall apart during a crisis. Ultimately this constant testing of oneself is what makes you develop in the right way, with the right instincts, and with the courage to act on them.

Richard Parry-Jones

Chair, Automotive Industry Growth Team for the UK Government

You're charged with getting a grip on the long term. How do you set about that?

I used to think about where I wanted to get to in five years, and then move forwards towards that. Now I'm training myself to think where we want to be in 2050, and move backwards. That's the best protection against making investments which will be dead ended. If we choose to optimise business results over a 15-50 year time frame versus a 5-10 year time frame, we get very different results, strategies and technology/brand direction. You have to balance what may appear as a slightly inferior short term result against the risk of stranded assets.

The most important factor that's caused me to think about the longer longer term is the debate on resource scarcity and the macro effect of man made activities. Once you start to think about those things, you need to consider the massive changes needed - not so much in lifestyle as in technologies to support that lifestyle. It's bigger than anything since the industrial revolution.

An example of stranded assets?

GM focussed on large thirsty trucks that were very profitable - and then the market went away. They under-invested in fuel efficiency and small vehicles for which there was a small short term market but a wholly predictable long term need. The fact that they went bankrupt tells us all we need to know.

But there are upsides to short termism. Most well run companies have focused on working capital as a major opportunity to improve cash flow in a declining revenue environment. If you don't focus on working capital and cash flow in tough times, you won't survive. So those that have come through will have some cash in hand and will be fantastically placed to take advantage of investment opportunities.

Examples of long term focus that was misjudged?

The billions of dollars spent developing hydrogen fuel cells. The interesting thing is that the dollars were committed because of a very simple and seductive argument: hydrogen is everywhere, use it in a car and the only emission is water. What a sound bite! It was also a great fig-leaf for an industry that continued to churn out thirsty trucks. But fundamental economics and energy physics tell us that a hydrogen powered fuel cell in a mobile application has no chance of ever being successful - so the investment has to be written off.

The lesson here is to beware of sound-bites and fig-leaves. Check the fundamentals and don't get seduced.

What advice do you have for the next generation of leaders in getting the balance right?

Imagine your career, your company, or your sector in terms of a basic xy graph, and plot a simple trend line on it showing where it's come from and where it's going. Understand that there are bound to be perturbations. Now imagine you're travelling along that line. When you come up against a perturbation, it's easy to think that this is the new gradient – the new dominant trend line. You see that in business and politics the whole time, everyone suddenly extrapolating an entire new future direction based on the perturbation. Now stand back and look at it as an observer – and you can see that it was just a blip, that the trend line doesn't change more than marginally. See the trend line and let that guide you - otherwise every few years you invest in a new silver bullet and end up poorer and disillusioned. Be wary of over-reacting to things until and unless they've solidified a bit.

In business there's always pressure to spend an excessive amount of time on short term issues and far too little time thinking very deeply about long term. If you lead a firm and you're not thinking deeply about long term, no one is.

Part of that ability to think about the long term comes from making the most of your peer group. A privilege of being a leader is that you become a member of a network of extremely experienced people. I remember what a sense of revelation I had when I began to get more senior within Ford and I found myself sitting down and talking with people from an oil company on carbon and oil price trends, long term issues and solutions, in a way that you just can't do within your own company.

Finding people who have a completely different frame of reference helps. I'm a very hands-on person, I've run manufacturing plants – but talking to scientists has changed the way I think. You reduce the problems of business down to the level of physics. When you think in that time frame, you are in a completely different world. It's a tremendous catalyst for thinking about the long term. Looking at things from a fundamental point of view, not a symptomatic point of view. Quite seriously I'd advise a new leader to go and talk to some scientists!

Julia Peyton-Jones

Co-director of Exhibition and Programmes and Director, Serpentine Gallery

Has your idea of exactly what 'short' and 'long' term means changed?

Yes, 100%. We used to think in ten year terms. Today that time scale is inconceivable. The speed of life for us today has been reduced to three year timeframes: you invent in year 1, modify and adapt in year 2 and in year 3 begin to think about how to reinvent for the future. The good thing is that there is no complacency - one always needs to be on one's toes. What is more challenging is to find the time for reflection and review.

It appears that the appetite for the new is almost insatiable – whether from the public or from the media. This is a very significant change in the way we think about time. A week now feels like a year.

How do you balance long and short term perspectives at the Serpentine?

Our long-term vision is for everyone in this country and many beyond our borders to know of the Serpentine Gallery and what we are about. The short-term task is to make this happen and to do that we need to find a way to chime with the zeitgeist and to relate to significant numbers of people without jeopardising the integrity of the programme. Being popular rather than populist.

It is interesting to show artists and architects who make challenging work, which could be seen as difficult and, simultaneously, do this in such a way that it makes compelling viewing. It is not difficult to do a show that two and a half people will visit. What is difficult is to do a show of an unknown artist, without an advertising budget, that will attract 100,000 people or more – but we know it is possible and, indeed, we have achieved it.

What advice do you have for the next generation of leaders in getting this right?

Most people know most of the time what they have to do and how to do it. You know instinctively what your priorities are. Ask yourself to write down, at speed, what you want to achieve in the next six months and do the same for what you want to achieve over the next two/three years. Now prioritise. See what can be achieved easily and what you are going to sweat over. Take the hardest thing first and identify what help, advice and resources you are going to need to make these difficult tasks happen. Then make a very simple plan that is a kind of guide to achieving them. I think the trick is to make it very, very simple.

What stands in the way of short term achievement?

The only thing that can really damage a project is not having enough time to do it properly. That said, the worst reason not to do something is because you do not have the time – and that is especially the case if you do have the money.

The annual Serpentine Gallery Pavilion is uniquely short in the making (6 months) and short-term in existence (3 months). However, its legacy is now in the history books. If we were not to have attempted the challenges of time and money, for a project which after ten years remains unique worldwide, one of the highlights of our programme would never have come into existence.

I consider one of the great arts in life is to see the potential and harness the energy to make a project happen. Often it comes to down to being brave and having a go. And that can be incredibly good fun.

Ian Powell

Chair and Senior Partner, PricewaterhouseCoopers

Does partnership culture have an advantage in terms of preserving long term focus?

In my view it does. There's a strong feeling in the partnership that we are custodians, that we have a responsibility as owners who work within the business to pass on a stronger firm than we inherited, and that is necessarily different from the culture of a quoted company.

One of the first things I did coming into a recession was to realise that it was essential to hold our nerve, to continue investing, to send out confident messages. We are the number one employer of graduates in the UK, employing around 1,000 graduates per year. At a time when many people were cutting back on recruitment, we wanted to send out the right signal about long term confidence. We also knew that if we cut back our intake, we would have a shortage of well trained business advisors in four to five years.

The context in which you can take decisions like that is clearly linked to my proximity to the partners. I can put a very direct case to 850 partners in the UK that their short term income will be affected as we take those longer term investment decisions.

How do you achieve clarity on long term strategy throughout the organisation?

I have learned the hard way that it is relatively easy to get a clear message about strategy out to fourteen people, but if you try to take it out to a thousand or more, while the immediate feedback may be positive, after a week or so when you test it, the picture is confused. The more people you have to communicate with, the more radically simple and consistent you have to be.

Once you have a truly simple message, you must repeat it and repeat it and repeat it. That may drive people mad but you should make no apology. Leadership has to define the North Star. Of course you have to be flexible enough to change some of the steps along the way but you can't change the aim. Yet very few businesses succeed in keeping to one strategic direction for even four to five years, which should be the bare minimum.

Years ago my background was in restructuring. Many of the businesses I have dealt with got into difficulty because short term actions were not aligned with strategic directions. There is a very simple process for getting to the heart of this.

1. You go into a business boardroom.
2. You ask them what is the strategy?
3. You go to the shop floor / retail point and check if you see the strategy in action. If not, there is a problem.

What long term opportunities has the crisis opened?

Relationships. There is an incredible opportunity right now, in the very short term, to be much closer to your clients. They will remember the people who stayed with them through the difficult times. Do this now and the long term value will be enormous.

Look at what's out there to buy. Right now smaller businesses want security.

And put sustainability at the centre of business decisions. People think it's fluffy, but demands from consumers and regulators will be so intense on this point in the future that if you're not on top of the sustainability agenda you will be at a competitive disadvantage.

What advice do you have for the next generation of leaders on getting the balance right?

Base your long term goal on good research and solid debate, then be absolutely clear on it. Make sure that each one of your thousands of small, minute-by-minute steps, which express you and your team's behaviour and intentions, all change to be in line with the long term goal.

Articulating how you want your people to behave is at the heart of this. I recently wrote a short paper called 'Who We Are', written to describe the character and behaviours that sit alongside achieving our strategic objectives. I thought this would be internal but it quickly went external. For the past 150 years no-one has ever asked us to describe our culture in a proposal. Now for the first time people are asking for it. They want to know who they are working with and whether your culture and behaviour fits. That is really new and has surprised me.

Draw on the strengths of your peer group. A lot of the conversations I have with

CEOs are not about our businesses as such, but about what we do as leaders to get strategic clarity and get our teams in line behind that.

And seek out good mentors. It's very hard for CEOs and Chairmen to find genuinely valuable and independent mentors. We need to offer that to each other.

David Ross

Founder, Kandahar and Co-founder, Carphone Warehouse

What impact has the downturn had on your views of short and long term?

When I think back to the autumn of 2008, when the extent of the economic situation was becoming apparent – my first impression remains the way in which businesses were thinking by the hour or the day. It was all about survival - the here and now. To be fair, however, that phase did not last for a long time. Since perhaps March of last year I've noticed a slight change: I see people thinking more in the long term, questioning how they can maximise and improve.

That obsession with immediacy was not a new or sudden development - it had been building throughout the decade, with a growing focus on the part of many people and companies on discovering a way to instant success. Looking back one can see a compression of the time horizon – everything getting faster and faster.

I feel we could be seeing the same effect now in reverse; people now have no choice but to think longer term. We could be in for a slow decade and that may be no bad thing. Having said that, human nature always wants results fast – so this is more of a hope than an expectation.

Carphone Warehouse is often cited as a classic example of entrepreneurial success. Was that based on a long term vision or was it a case of a sustained winning streak?

When we started Carphone we had a very clear long term idea of where we wanted to get to. That was our greatest asset. The short term was a series of executional steps largely in our control and under our own time pressures.

What have you learned from your experience of operating in falling markets?

In a falling market I think that it can be all too tempting to make snap decisions based on trying to correct or improve an adverse situation. That is indicative of a short-term mentality and often results only in making that situation worse.

In my experience, it is always much better to hold your nerve, to take time to really assess the whole picture, and to ensure that you have considered what your motivations are. In short, don't panic, and certainly never let people see you panicking.

What advice do you have for the next generation of leaders in getting the short/long term balance right?

Identify your opportunities, set your path, and stick to it. Don't let yourself be diverted off your path by passing fads and fashions. Consistency is key.

But what happens to sticking to your path when the world changes and your path becomes irrelevant?

Of course you need to make sure that your long term vision remains relevant. You only have to see what happened to Rank Xerox through their blind conviction of the continued relevance of their product strategy.

What you have to fall back on is instinct and intuition – that is what business is all about. I don't believe this is something that can be taught. It's an element of human judgment which you have to work out for yourself. Sometimes you can instantly tell when someone has this – one of my best hires ever was over a cup of coffee for 15 minutes at Madrid airport. And if you trust your instinct you save yourself a lot of time: I have called a meeting off after 10 minutes because it has become completely plain to me that it wasn't going to work.

Our luck – or judgment – at Carphone was to identify a sector which was on an extraordinary roll. It's interesting to think about what the next such sector might be.

Hector Sants

CEO, the FSA

How do you define 'short' and 'long' term?

I see the context for a business being set at three levels, with a vision which sets very long term aspirational framework and goals, then a strategy which is a long term approach to achieve the visionary goals, and finally a set of short term decisions. Now you may very well make pragmatic decisions in the short term which are at odds with your long term strategic agenda. But they should never be out of line with the vision.

Never?

Never, unless circumstances change to the point where the long term implications of short term decision pressures are such that the vision itself has to be changed.

What role does communication play?

Given that there will always be a need to make short term decisions, you need a strong narrative which clarifies how each decision is in line with your vision, and how it is in line with (or a valid deviation from) strategy. The more short term decisions you need to make, the more you have to communicate, so people don't think you have lost sight of the vision.

Examples of short term focus?

The fixation on the development of the securitised market was a series of short term decisions which created long term problems. The vision – dispersion of risk – was good, but the way in which this translated into decisions lacked proper analysis of consequences. A good but insufficiently analysed vision was coupled with too much short term upside to those taking the wrong decisions.

By contrast, the authorities' intervention over 2008 in the UK banking recapitalisation was based on long term views but without the time to analyse fully every implication, yet broadly speaking that has worked out well. The difference lies perhaps in the absence of a disproportionate and personal upside for anyone taking flawed decisions.

Examples of long term focus?

Three or four years ago there would have been consensus that the general, long term, postwar trend towards deregulation was positive: exiting the gold standard, removing exchange rate controls, big bang. The question is, did we allow that momentum to go too far?

If you look at political initiatives, there's been broad success for a long term vision of building supranational structures – for example the UN, the IMF - which recognise globalisation and the necessity for the global community to work together. But it is interesting that the first generation of such bodies, for example the League of Nations, were much less successful. What I learn from this is that if you want to make effective innovations that are in line with a correct vision, you also need tactical traction from the immediate context. The nature of the settlement at the end of the First World War failed to provide the tactical traction which the 1945 settlement did.

What advice do you have for the next generation of leaders in getting the short/long term balance right?

Recognise the inevitablity that you will at times have to make short term decisions which you will not be able to fully rationalise in relation to their fit with long term goals. You have to back your hunches of what fits the long term: ultimately if you lose your orientation to the long term vision, you will fail. Moreover, if you try to think it all through under intense time pressure, you will freeze and therefore fail.

And, whatever happens, make sure your decisions are never out of line with your ethical framework. There is sometimes a temptation to think that short term pressure justifies exceptions to this. Not so.

Peter Simpson

Managing Director, Anglian Water

How do you define short and long term?

When you say short and long term, for me that means tactical and strategic. It's not just about timescales, it's about types of decisions.

Longer term thinking around strategy needs to be even sharper to cope with the significant increase in the pace of change we're seeing. It's very important that you don't confuse what is a strategy with what is a plan – I see that all the time, with people parading their 'strategic plans'. The underlying strategy sets the overall pattern of play, and that shouldn't change. The plan, however long term, is affected by events outside. If you watch Arsenal play football, it's the pattern of play which creates the elegance, that's the underlying character which can endure no matter how the game is going.

At Anglian Water, the pattern of play is around flexibility, driven by competition, consumer demands, and environmental changes. That's the strategy. The plan is to do with how we deploy and reward our people, how we schedule resources, right through to job design, all in line with delivering flexibility. That tactical plan can change any number of times, but the underlying strategy should not change for a very long time.

In the five years 1999-2004, Anglian Water lost its way. It became more and more introverted and tactical – all it did was focus on day-to-day management, totally failing to tackle the big strategic questions. The business had decided to go down an outsourcing route for its core activities. This was called a strategy. The logic behind it was that contracting out would offset our regulatory risk. Clearly regulators aren't that stupid, and we jeopardised our relationship with them – which is the biggest single value factor in a regulated business. When that failed, the business went even more into its shell. It was a classic example of people fooling themselves that a short term tactical plan had a long term strategic goal. And in the end even the tactical plan didn't work.

What advice do you have for the next generation of leaders in getting the short/long term balance right?

Leadership is about understanding whether or not you're in the wrong wood; management is about checking the trees. If you're not on top of the mountain, if you're not looking further and thinking long term, no-one is.

The ancient Greek idea of 'strategos' is really worth pondering. The strategos was a person, a battle leader. His fundamental role was to lead from the front, to have a clear picture of what he wanted to achieve, and, importantly, the ability to communicate that to the troops. Half of this idea is about not only spending time on the big picture but also about communicating and articulating it, and having enough connection to the front line to mould it as a living plan.

It's all too easy in a leadership role to get dragged into the short term, much harder to drag yourself out. Sometimes you do have to down strategic tools, roll your sleeves up, and get stuck in to sort out the tactical, but then you have to discipline yourself to stand back again. I check myself every week – am I standing back enough, could someone else be doing the tactical work that's on my plate – while all the time recognising that if you lose touch with the front line you're in danger of losing everything.

THE LEADERSHIP COUNCIL

This is the fourth in a series of papers on topical concerns for leaders. It is published under the guidance of The Leadership Council.

The Leadership Council was established by the Partners of The Company Agency in 2008, bringing together senior figures from commercial and public life. Chaired by Lord Janvrin, the Council provides a powerful perspective on the leadership agenda. Individual Council members also act as senior mentors. In 2010 The Company Agency established a strategic partnership with CTN Communications.

Brigadier (Ret'd) Ed Butler CBE DSO
After 24 years in the British Army, Ed retired as one of the youngest Brigadiers of his generation. As Commander of British Forces in Afghanistan in 2006, he has led at all levels within 22 SAS, including over the period of 9/11, and has commanded assignments from Headquarters to field level across Asia, Africa and the Middle East. Since 2008 Ed has been Chief Executive of CforC Ltd, a company providing political, business and cultural insight for investors in emerging and frontier markets.

Jonathan Chenevix-Trench
Jonathan Chenevix-Trench is co-founder of African Century, specialising in investment into small and medium sized companies in sub-Saharan Africa. In addition he is Chairman of Ashdown Funding Limited, and Elgeti Ashdown Advisors. Until 2007, he was Chairman and Chief Executive of Morgan Stanley International in London.

Val Gooding
Val Gooding is a non-executive director of Standard Chartered Bank plc, J Sainsburys plc, the BBC, and the Lawn Tennis Association. She is also a Trustee of the British Museum and the Rose Theatre, Kingston, and a member of several advisory boards. Val was CEO of Bupa for 10 years following over 20 years at British Airways.

Iain Ferguson CBE
Iain Ferguson has recently retired as CEO of Tate & Lyle and is now building a portfolio of interests, including Chairman of Wilton Park (an Agency of the FCO) , a non-executive on the Board of Greggs plc, a member of the Defra Council of Food Policy Advisors and a member of the UK Foresight project steering group. He has particular interests in working to improve Company and Board performance and in harnessing the power of diversity.

Tony Hall CBE
Tony Hall has been Chief Executive of the Royal Opera House since 2001. Before that he was Chief Executive of BBC News. He is on the board of Channel 4, the British Council, the DCMS's Creative Economy Board and the London Cultural Strategy Group. He is currently Chair of the Theatre Royal Stratford East and of the Sector Skills Council for the Creative and Cultural Industries. He is also a member of the management committee of the Clore Leadership Programme. He became a Commander of the British Empire in 2005.

Mary Jo Jacobi Jephson
Mary Jo Jacobi Jephson is Chairman of the IDM Group and chairs the Forensic Science Service's Independent Advisory Group and the Advisory Board of Family Office Advisors LLP. She is also one of Her Majesty's Civil Service Commissioners and a US-UK Fulbright Commissioner, and she is a trustee of several not-for-profit organisations in the UK and US. Previously, Mary Jo led reputation management and communications at Royal Dutch Shell, Lehman Brothers and HSBC and was a senior advisor to two US Presidents.

Lord Janvrin, Chairman
Robin Janvrin is Deputy Chairman of HSBC Private Bank (UK) Ltd. After eleven years in the Royal Navy and thirteen years in the Diplomatic Service, including postings at NATO and New Delhi, he moved in 1987 to the Royal Household, initially as Press Secretary and then subsequently in The Queen's Private Office, becoming The Queen's Private Secretary from 1999-2007. He is a Trustee of the National Portrait Gallery, on the Advisory Board of the UK-India Business Council, and is a Visiting Fellow at the Oxford Centre for Corporate Reputation.

Lady Barbara Judge
Lady Barbara Judge is Chairman of the United Kingdom Atomic Energy Authority since 2004, having joined as a director and Chairman of the Audit Committee in 2002. She is also currently Chairman of the School of Oriental and African Studies, Deputy Chairman of Forte Energy NL and a Director of Massey Energy Company and Bekaert SA, among others. Previously, she was a Commissioner of the US Securities and Exchange Commission and an executive director of Samuel Montagu and News International, among others.

The Earl of March
Charles March runs the Goodwood group of companies comprising Goodwood Racecourse, the Goodwood Road Racing Company (including the Festival of Speed), Golf at Goodwood, Goodwood Farm, Goodwood Aerodrome, The Goodwood Hotel and the Goodwood Estate which covers 11,500 acres of Sussex to the north of Chichester. The group employs over 400 people and attracts around 800,000 people to the Estate each year. Lord March is President of the BARC (British Automobile Racing Club), Patron of the TT Riders Association and an Honorary Member of the BRDC, the 500 Owners Club and the Guild of Motoring Writers.

Martin Newman, Director
Martin Newman is a Partner and Coach at The Company Agency, working internationally with political, public and business leaders. He has worked for twenty years in many of London's leading communications agencies, and in 1989 helped set up the Fairtrade Foundation as its founding director.

David Richards CBE
David Richards is Chairman of both Aston Martin and the Prodrive Group of companies. A former World Rally Champion, he founded Prodrive in 1984 and is regarded as one of the most prominent figures in global motorsport. In 2005 he was made a Commander of the British Empire, CBE, for his services to the motorsport industry.

Sir Tom Shebbeare

Tom Shebbeare has been since 2004 Director of The Prince's Charities, a group of 29 Charities and not-for-profit businesses established by The Prince of Wales. Between 1980 and 1987 he was on the permanent staff of The Council of Europe (Strasbourg) before becoming the first Director of The Prince's Trust in 1988. He is a Director of Virgin Money Giving, CIM Asset Management and In Kind Direct. He was knighted in 2003.

Lord Watson of Richmond CBE

Lord Watson's career embraces broadcasting, business and public life. He presented "The Money Programme" and "Panorama" on BBC TV, was Head of Media at the European Commission, President of the Royal Television Society, and for ten years was European Chairman of Burson-Marsteller. In politics he was President of the Liberal Party and he sits in the House of Lords as a Liberal-Democrat. He advises many major companies worldwide on their communication strategies and is Chairman of CTN Communications and the Advisory Board of Havas Media UK. At Cambridge, Lord Watson is an Honorary Fellow of Jesus College, and chairs the Cambridge University Chemistry Advisory Board. In 2005 he was appointed Chairman of The Cambridge Foundation, and in 2009 was elected High Steward of the University.

Quick Quick Slow

Balancing short and long term perspectives in leadership

previous Leadership Council Reports

1. Power, Perspective, Personality

What works for business leaders in political engagement

2. Not shaken, but stirred

Ten commandments for leaders in tough times

3. Seven types of confidence

Price £10

www.thecompanyagency.com