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Time Management

Stop Wasting Valuable Time

by Michael Mankins

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Summary. Reprint: R0409C Companies routinely squander their most precious resource—the time of their top executives. In the typical company, senior executives meet to discuss strategy for only three hours a month. And that time is poorly spent in diffuse discussions never... **more**

A few days before AnyCo's biweekly top management team meeting, the CEO's assistant sends out an e-mail asking attendees to submit agenda items. A hodgepodge of suggestions comes back. The head of HR wants to update the team on a nasty age discrimination lawsuit that's about to go to trial. The executive vice president for the

European business division wants to discuss disturbing competitive trends in her region. The CIO asks for a few minutes to review plans for Sarbanes-Oxley compliance. The manager of the largest North American business unit needs to present a major capital investment proposal for a factory automation program. The marketing senior vice president has to show some alternatives for a big print-advertising campaign. And the CEO himself wants to kick off an effort to revamp the company's annual planning and budgeting process.

The assistant creates a draft agenda, listing the items in the order they were submitted, allots a best guess of the time needed for each, and runs it by the CEO. He reorders the agenda a bit, putting the routine, operational items up front to ensure that the bulk of the meeting is focused on strategic issues.

But when the meeting takes place, his plan goes awry. The group has a long, drawn out debate about the look and feel of the advertising campaign, and the discussion of Sarbanes-Oxley turns into a gripe session about the IT department. The executives end up with little time to devote to the deeper business issues. They give the factory automation plan a green light after a cursory examination—to the CFO's great discomfort. They put off consideration of European competition for a future meeting. And they have an unfocused and ultimately inconclusive discussion about the CEO's new planning process. When the meeting breaks up—an hour late—people leave in a sour and cynical mood, complaining to themselves about another waste of valuable time.

The scenario I've just described is played out on a regular basis at almost any company you might name, including, most probably, your own. For although time is the scarcest resource in any company—after all, no amount of money can buy a 25-hour day—the sad reality is that few top executive teams manage their time at all well. As we'll see in the following pages, the typical company's senior executives spend less than three days each month working together as a team—and in that time they devote less than three *hours* to strategic issues. Moreover, in my experience, those three hours are seldom well spent: Strategy discussions tend to be diffuse and unstructured, only rarely designed to reach good decisions quickly.

The price of misused executive time is high. Apart from the frustrations that individual managers suffer, delayed or distorted strategic decisions lead to overlooked waste and high costs, hastily conceived and harmful cost reductions, missed new product and business development opportunities, and poor long-term investments.

But as I will also show, drawing on the experiences of my firm's clients, a few deceptively simple changes in the way top management teams set agendas and structure meetings can make an enormous difference in their efficiency and effectiveness. And once the members of the leadership team get the basics right, they can make more fundamental changes in the way they work together. Strategy making can be transformed from a series of fragmented and unproductive events into a streamlined, effective, and ongoing management dialogue. For companies that have done this, management meetings aren't a necessary evil; they're a source of real competitive advantage, enabling top executives to make better decisions and to make them faster.

How to Get the Time Back

Seven techniques can help you get control of your top management agenda and make sure meeting time is spent ...

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How Valuable Time Is Squandered

A very real constraint on the financial performance of most companies is top management's capacity to reach good decisions quickly. Both quality and pace are important. Obviously, poor decisions made too quickly will lead to actions that destroy shareholder value. But good—even great—decisions made too slowly can depress company performance as well. Unfortunately, research shows, few companies manage executive time in a disciplined or systematic way.

In the fall of 2003, my firm, Marakon Associates, collaborated with the Economist Intelligence Unit to conduct a survey of top management team members (the CEO, COO, CFO, business unit presidents, managing directors, and so on) from 187 companies worldwide with market capitalizations of at least $1 billion. We wanted to understand how these teams invest their collective time. Specifically, we wanted to know how much time top managers spend together as a team and, when they meet, how they set priorities, how they manage the time, and how successful they think they are at reaching important decisions.

Even though the companies surveyed compete in different geographic markets and in disparate industries— ranging from telecommunications equipment to wholesale banking to consumer foods—top managers were remarkably consistent in their views of how effective their executive team meetings are. Our findings support what many executives have long suspected—namely, that they spend too much time discussing issues that have little or no direct impact on company value. Even worse, their meetings often fail to produce both the quality and quantity of decisions required to drive superior performance. Specifically, here's what we discovered.

Top management teams spend relatively little time together.

Executives at the companies we surveyed spent an average of 21 hours a month together in leadership team meetings. Moreover, the time they spent in any one meeting was relatively short, seldom more than four hours at a stretch—and less in bigger companies whose management teams were widely dispersed geographically. Given the importance of the top team's decisions to company value, it's clearly imperative that such limited time is used wisely. Sadly, that was hardly the case.

Agenda setting is unfocused and undisciplined.

At half the companies surveyed, top management's agenda was either exactly the same from meeting to meeting or ad hoc. In fact, when asked how they set meeting priorities, most executives said they were driven by the crisis of the moment ("We have a production problem in Unit A; therefore, this month we will focus top management on Unit A"); historical precedent ("Every November, we review our human resource policies"); or egalitarianism ("Everyone in the room will get his or her chance to speak").

In many companies, the problem is compounded by the fact that no one is explicitly responsible for managing the leadership team's agenda. So the process for getting important matters in front of top management can be inefficient, even sloppy. One firm in our sample, for example, set top management's agenda through what it described as a "first in, first on" process—where (as in our hypothetical example) the CEO's secretary set the agenda by adding topics as they were phoned in by executive team members. Not surprisingly, too many items frequently ended up on the agenda and, consequently, the team often ran out of time before it could address key items.

Less than 5% of survey respondents said their company had a rigorous and disciplined process for focusing top management's time on the most important issues. The results are all too predictable. The urgent crowds out the important, and meetings end late, frustrating team members, or—worse yet—end on time without reaching important decisions. In effect, top management delegates many of the company's most important issues to lower levels in the organization—to individuals ill equipped to deal with the problems' underlying complexity and poorly placed to see the larger ramifications of their decisions. Such decisions often conflict, as a strategy chosen by one unit works against the strategy chosen by another, slowing execution and undermining performance.

Too little attention is paid to strategy.

It's probably not surprising, given the ad hoc way meeting priorities are set at most companies, that top management spends less than three hours a month discussing strategy issues (including mergers and acquisitions) or making strategic decisions. In fact, our research reveals, as much as 80% of top management's time is devoted to issues that account for less than 20% of a company's long-term value. At one global financial service firm in our survey, for example, a senior line executive reported that top executives spent more time each year selecting the company's holiday card than debating the bank's strategy for the entire continent of Africa (where they had made significant capital investments). They are hardly exceptional: The exhibit "Where the Time Goes" gives a detailed breakdown of how a typical top management team spends its time.

Where the Time Goes

> **One global firm spent more time each year selecting the company's holiday card than debating its vital Africa strategy.**

Top management meetings aren't structured to produce real decisions.

Most leadership team meetings (more than 65%, according to our research) are not even called for the purpose of making a decision. They're held for "information sharing," "group input," or "group discussion." The meetings that do focus on strategy are most commonly off-site brainstorming sessions—typically amorphous events that produce few tangible outputs. As a consequence, very few executives surveyed (only 12%) believed that their top management meetings consistently produced decisions on important strategic or organizational issues.

When leadership team meetings do produce decisions, many organizations have difficulty making them stick. Once the meeting ends and the team disbands, participants often take away very different interpretations of the group's decision. Some members may be unhappy that the team didn't go far enough in its decision, and they work to stretch the group's mandate as far as possible in communications down the line. Others may view the team's decision as incomplete or tentative and communicate only high-level guidance to subordinates, effectively delaying execution until management provides clearer direction. Still others may think the team's decision is inappropriate or just plain wrong. They can issue what amounts to a silent veto by relaying nothing to the troops, hindering (or even preventing) execution.

Seven Techniques for Exploiting Valuable Time

Serious as they are, the problems I have described can be fixed. At a number of companies—ABN AMRO, Alcan, Barclays, Boeing, Cadbury Schweppes, Cardinal Health, Gillette, Lloyds TSB, and Roche—executives have found ways to improve teamwork at the top. Leaders spend their time together addressing the issues that have the greatest impact on the company's long-term value. The top management team employs rigorous processes to produce high-quality decisions at pace. As a result, these firms have generated better financial performance and higher rates of value growth than their competitors.

While every executive team we studied is different and faces different challenges, we have been able to identify seven common techniques they all use in some form to manage their agendas and achieve superior value growth. To make the most of the limited time that top management spends together each year, executives at the most successful companies:

Deal with operations separately from strategy.

Reviewing operating performance and making strategy decisions are distinct activities, requiring different modes of discussion and different mind-sets. Our research suggests that the most successful companies hold separate meetings for each purpose. This prevents day-to-day operations from dominating the leadership team's agenda and frees up time for substantive strategy debates. Dutch banking giant ABN AMRO has recently taken this approach as part of its new management framework.

In the early 1990s, the bank's managing board—comprising the chairman and the top five executives—spent most of its time reviewing loans and discussing day-to-day operations. That wasn't a problem in those days, when ABN AMRO had what Rijkman Groenink, the current managing board chairman, describes as "the luxury of capital and talent." Back then, he recalls, "the bank faced no real capital constraints and few important resource trade-offs." Thus the board spent very little time, if any, debating strategy or making resource allocation decisions. But when Groenink became chairman in May 2000, ABN AMRO faced significant resource constraints. Global financial markets had consolidated, and stiff competition emerged from the likes of Citigroup, J.P. Morgan Chase, and ING. Confronted with this new reality, Groenink believed ABN AMRO needed "a new and more-disciplined approach to resource allocation."

An important element of Groenink's approach was to transform the managing board into a decision-making body that truly had clear authority and could be fairly held accountable for the bank's performance. This transformation required fundamental changes in both the timing and the structure of board meetings. Whereas historically the board met twice a week for three hours to discuss the bank's operations, under the new framework it meets only once a week to discuss operations and then once a month—for a full day—to debate strategy and make important resource allocation decisions. The new meeting calendar reduces the time board members spend together each month (from 24 to 22 hours). But it significantly increases the time dedicated to strategy—from as little as one hour a month to as much as ten.

Since then, ABN AMRO has dramatically improved the effectiveness of its board meetings. The clear delineation between operations time and strategy time allows the board to focus each session and perform both roles better. To improve operating reviews, the bank has installed advanced information and performance-reporting systems that allow the team to monitor results and debate operating issues on an exceptions basis. That has left the board free to adopt many of the other improvements to its strategy sessions that I will describe below.

Focus on decisions, not on discussions.

The changes needed to focus a leadership team's meetings more intensely on decision making can seem almost surprisingly innocuous. At British confectionery and beverage giant Cadbury Schweppes, for example, the chief executive committee approves the company's strategy and investments. The CEC meets for two full days six times a year to debate important strategic and organizational issues. Two small changes have had a big impact on the quality and pace of this group's decision-making capabilities.

First, since 1997, all reading materials have been distributed to participants at least five days before each CEC session. Whenever possible, standard templates are used to display important financial, market, and competitor information. This gives each CEC member time to carefully review materials before the meeting and quickly get up to speed on important issues. Second, a standard cover sheet is included with all materials specifying precisely why people are being asked to read them—for information purposes only, for discussion and debate (in which case, the key issues are highlighted), or for making a decision and deciding a course of action.

Since the purpose of each agenda item is clearly indicated and all materials are reviewed in advance, CEC members can devote meeting time to making decisions on important issues rather than to having those issues explained in lengthy PowerPoint presentations. What's more, the structure imposed by the standard cover sheet has encouraged Cadbury Schweppes executives to deal with many matters outside the meetings—to find other ways to review materials marked "for information purposes" only and to gather input from CEC members before meetings on items marked "for discussion and debate." This reserves even more meeting time for items labeled "action and decision."

Some companies find that shifting the focus of their top management meetings from discussion to decision making has a wholly transformative effect. That was true at the British bank Barclays, where Matt Barrett spurred a cultural revolution soon after becoming group chief executive in 1999. The bank's executive committee

(EXCO), a group of managers representing business and functional silos, had held weekly meetings that amounted to what Barrett calls “bilateral discussions with the CEO with an audience.” But Barrett made it clear that he wanted the EXCO to be an integral part of governance and control—to be, in his words, “the linchpin between management and the board of directors.” To do that, it had to focus its time on decision making.

One of the first steps Barrett took was to establish a common ambition for the team—to create “a real passion for performance at Barclays,” spurring the EXCO to set the objective of doubling the market value of the bank in five years. Next, EXCO members saw to it that this objective was transmitted to each line of business—to the investment bank, the retail bank, the credit card division, and so on. In this way, it was made clear that each member of the EXCO had a role to play in driving value growth at the bank. Finally, detailed information was developed for each line of business specifying where and how it was creating and destroying value (often at the product and customer level). The establishment of common goals, combined with the generation of such detailed strategic and financial information, allowed Barrett to focus the EXCO on tangible debates about what needed to be done to double the value of the bank. The result has been a marked change in the nature of EXCO meetings. Where once the bank was “drowning in tactical issues,” Barrett maintains, “80% of the EXCO’s time is now focused on strategic decision making.”

Measure the real value of every item on the agenda.

If top managers were presented with five issues, and they knew that resolving one would create 20 times more value than dealing with the other four combined, they would naturally spend their time addressing the issue of highest value. Of course, the importance of agenda items is rarely labeled so explicitly. As a result, top executives risk wasting valuable time on trivial issues and postponing important decisions, sometimes indefinitely.

Successful companies prioritize the problems and opportunities on top management's agenda according to the "value at stake"—that is, according to the impact that resolving each issue will have on the company's long-term intrinsic value (the net present value of the company's future cash flows discounted at the appropriate risk-adjusted cost of capital). This can be done through a broad sensitivity analysis using the company's valuation model; numeric precision is not the object of this analysis, only a general understanding. Typically, lower levels of the organization should address the low value-at-stake issues. Conversely, high value-at-stake issues should always be on top management's agenda irrespective of organizational boundaries. Identifying items according to their strategic value makes top management's agenda the critical tool in driving company performance and translating strategy into action.

Roche, the Swiss drug and diagnostic product maker, is one company that uses this approach particularly effectively. CEO Franz Humer has created a "decision agenda" comprising the ten most important opportunities and problems the company faces. A disciplined process is used to create and update the agenda in which the value at stake is quantified for each issue. All together, work on those ten items takes up more than half of the chief executive committee's time each year. By focusing top managers' time on Roche's highest value issues in this way, Humer has transformed the quality and pace of strategic decision making at the company.

Get issues off the agenda as quickly as possible.

Companies that focus top management on growing long-term value have just as rigorous a process for getting issues *off* the agenda as they do for getting the right issues on it in the first place. In other words, once the right issues are on management's agenda, it's imperative that the team have a clear way to resolve them. Such a process must include an unambiguous timetable, detailing when and how team members will reach a decision on each issue and who must be involved in approving the final strategy.

At Cardinal Health, founder and CEO Bob Walter maintains that "a leader needs to keep people's noses to the grindstone and raise their eyes to the horizon." This view, combined with Walter's natural impatience, has given rise to a leadership model that treats "delay as the worst form of denial." So, all senior managers at the pharmaceutical and medical supply distributor work under a strict decision-making timetable driven from the top. Walter explains: "If you get to the end of a meeting and people ask, 'Did we make a decision on that? Oh, I guess we decided to delay,' then you are in denial.…I have a mental clock running at all times that pushes me to move ahead. I try to get everybody else moving ahead as well."

Walter pressures Cardinal's managers to continually ask themselves, "When does this decision need to be made?" and then make sure their timetable will enable them to reach a decision in time. All communications are streamlined—or, as Walter puts it, "crisp"—to focus the team on the most important aspects of a decision. Furthermore, Walter himself keeps a careful check on the decision timetable so that issues get off management's agenda as quickly as possible. This practice facilitates rapid decision making and prevents overanalysis.

Put real choices on the table.

Once the right issues are on the table and the clock is running, the most important requirement for effective strategic decision making is to present viable options. After all, management can't make choices if it doesn't have real alternatives. In our view, management needs to have at least three alternatives before any strategy should be discussed or approved. These must be real alternatives—not just minor variations on a single theme. But our research suggests that this practice is the exception rather than the rule at most companies. Only 14% of the executives we surveyed were consistently presented with any alternative strategies.

Perhaps no executive has used alternatives more effectively to drive breakout performance than Brian Pitman, former chairman and CEO of the British retail bank Lloyds TSB (and currently on Marakon's board of external advisers). Under his leadership, the bank's market value increased an incredible 40-fold from 1983 to 2001. Pitman would tell his executive team: “There is always a better strategy; we just haven’t thought of it yet.” Accordingly, he would insist on seeing at least three alternatives from every Lloyds TSB business before approving that business’s strategy. “To be confident of what you are accepting,” he would say, “you have got to understand what you are rejecting.” By forcing a constructive debate about alternatives, Pitman drove a number of fundamental changes in the bank’s strategy, impelling the company to exit international markets, establish a low-cost position, and initiate a drive to deliver truly superior customer service. Under his leadership, the search for alternatives was relentless. “The second you believe you have a ‘winning strategy,’ you are going to be copied,” he insists. “You have got to be constantly focused on reinventing your business….It all starts and ends with alternatives.”

In considering strategy alternatives, many top management teams find it helpful to separate their discussion of alternatives from their ultimate selection of the best strategy. This practice puts all options on the table before starting the evaluation process. How many times have executives sat through a presentation of a strategic plan or investment proposal knowing that there was another viable course but not knowing whether it had been considered and rejected? That’s why companies like ABN AMRO, Cadbury Schweppes, and Boeing often hold a meeting to discuss alternatives before they meet to approve a course of action. Here, “approve” means there are no other appropriate alternatives that the top team hasn’t reviewed. And it means that none of the alternatives the team has reviewed is illegal or in conflict with some other strategic initiative at the company.

Separating the generation of strategic alternatives from their evaluation and approval improves the ultimate selection process. When top managers are confident that all alternatives have been thoroughly evaluated, they are much more willing to choose a course of action and allocate the necessary resources—in effect, to make a final decision. There's less chance of rework—the all-too-common scramble at lower levels to generate additional analysis to "satisfy the boss"—and the ultimate choice is more meaningful.

Adopt common decision-making processes and standards.

Some top management teams find it difficult to accelerate the pace of decision making without sacrificing quality, but there are ways to avoid that trade-off. Even if they can't make each decision any faster, they can reach more decisions in the same amount of time by considering more issues in tandem. To do so, companies with superior decision-making capabilities use a common language, methodology, and set of standards for making decisions. This lets them address many issues at once—often outside the team meetings. Individual decisions may not be made any faster in this way, but the team will be able to reach many more decisions each year.

Barclays is a case in point. Barrett believes that much of the improvement in the bank's performance under his leadership has come from increases in both the quality and the quantity of executive committee decisions, which were made possible by a common language and decision-making methodology.

“We have a couple of important standards,” Barrett explains. “No self-delusion, and create and sustain competitive advantage or don’t do it.” All strategic decisions are subject to three tests that are well understood throughout the organization: They must be fact based, alternatives driven, and consequential. By “fact based,” Barclays means that opportunities must be identified through a clear understanding of how each Barclays business creates (or could create) shareholder value. Strategic and financial information (the “facts”) must be provided to show that there is sufficient value at stake to justify EXCO consideration. By “alternatives driven,” Barclays means simply that before any recommendation is made, at least three alternatives must be presented to the EXCO for scrutiny and debate. “Consequential” means that after a decision is reached, it has to be embedded in a business’s operating plan, and its subsequent performance must be carefully monitored. Establishing these common standards has effectively expanded the executive committee’s capacity to make decisions without sacrificing their quality.

Make decisions stick.

Often, the biggest challenge a top management team faces is agreeing on what it agreed to in the meeting. Indeed, unless strategic decisions are translated into something tangible, they can become subject to reinterpretation or, even worse, fall victim to the silent veto.

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Like Barclays, several successful companies we studied make the strategic decision-making process consequential by tying resource allocation to strategy approval. At ABN AMRO, Alcan, and Cadbury Schweppes, for example, the outcome of strategic planning is a formal performance contract, which specifies the resources (time, talent, and money) required to execute the strategy, as well as the financial results that management pledges to deliver.

This process makes strategic decisions stick in two ways. First, it forces companies to be clear about what the final decision is. If there is ambiguity about the resources required to execute the strategy or about what results should be expected over time, the leadership team can withhold its approval until those things are nailed down. In effect, tying decisions to resources means the leadership team must formally approve each business unit's strategy. Second, performance contracts make strategy delivery easier to track. A business unit's performance can be monitored relative to the terms of its contract. If the business fails to deliver its contracted level of performance, then the strategy goes back on top management's agenda for reevaluation and eventual course correction. The business units and top management are left with little room for doubt or reinterpretation.

In addition to process solutions like performance contracts, some companies establish norms of behavior for leadership team members to foster greater collaboration and to make decisions stick. When Jim Kilts became CEO of Gillette in 2001, for example, he established just such clear ground rules. One was: “Decisions at Gillette are final. The team is free to debate any decision in staff meetings, but once a decision is reached, there is no more debate—no ‘I don’t agree with this, but I’ll do it anyway’ hallway conversations.”

To put teeth into the team’s norms, Kilts has members rate each other’s performance every year—a rating that has a significant impact on their compensation. “Top management compensation used to be based on effort rather than results,” Kilts says. “The higher the promise, the better the reward, and the last one in with bad news got off easiest.” Now, at the end of each year, the Gillette executive team grades the quality of its decision making and its overall performance (on a one-to-five scale) in this way:

- All team members grade themselves.
- The CEO grades each team member.
- Each team member grades the team overall.
- Each team member grades each of the other team members.

In this way, Kilts and the other members of Gillette's executive team keep the focus on decision making and encourage individual members to keep their commitments.• • •

If more companies recognized that top management's time was their most precious resource, we would see many more of them adopting the practices I have just described. Strategic planning would not be about off-sites or planning books. It would be a matter of ensuring that the top management team focuses on the most important issues, considers all viable alternatives, and makes the best possible choice in the shortest period of time. Meeting agendas would be systematically managed and continually refreshed so that the right issues came on—and off—the agenda as quickly as possible. In short, strategic planning would be designed to exploit valuable time and drive more and better decisions faster.

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