

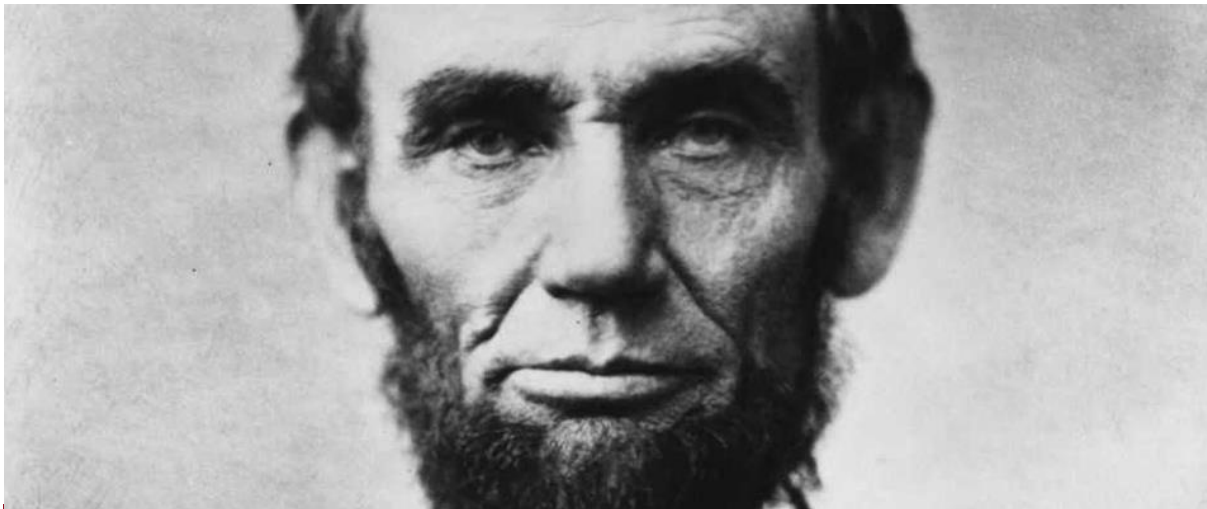


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Executive Search & Board Advisory

“SHORT TERMISM – ‘WE HAVE THE TYRANNY OF INSTANT COFFEE, SHORT TERMISM, NOT TAKING TIME TO MAKE THINGS RIGHT.’”



*“ Always bear in mind your own resolution to succeed
is more important than any other ”* Abraham Lincoln

In a recent Blenheim Partners Paper, short termism and the pressure to deliver “now” was seen as impacting the ability to achieve long term sustainable growth in Australian companies.

‘Short-termism’ was a common theme among Directors and there was no shortage of commentary on the subject, some attributing this mindset to pressure from investors for immediate runs on the Board.

This theme of investors wanting to growth without risk emerged in the context of trade-offs between short-term and long-term objectives. Short-term planning and returns is safer than pursuing long-term opportunities. Shareholders and institutional investors at time want short-term delivery from long-term strategy. They essentially want their cake (immediate returns) and eat it too (high growth). To address this requires Directors and executives to spend an inordinate amount of time explaining their portfolio of short-term and long-term growth initiatives.

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But others saw these investor demands as being more reasonable, and blamed the Boards and Executives themselves for not being able to articulate a clear strategic vision for long-term growth to various investment markets.

“It’s as much about the communication from the company, i.e. I think our problem with short termism in recent time has been the inability of companies to articulate a good path for investment over the longer term.”

This view was broadly reinforced by a range of participants who while agreeing that articulating the story was a problem, it was unclear as to the cause of this. Was it just a lack of competency in telling the story, or was it more than this? Did they not put the required effort in because they could not see the value, was it more fundamental, in that they did not see why they should or as one participant put it: is it the language of “corporate” that we have created? A sample of comments from participants reinforcing this follows.

“We have created a language called corporate. It is a problem. Our communication skills are critical and are being tested. We need to get the message across in less than five pages. Promise only on what you can deliver, keep it simple, keep it clear and once again keep the language simple. Then you will get credibility.”

“Short termism is just as much about the inability to articulate the story to investors and other stakeholders. The US is better at spelling out the long term. The smart investors like capital appreciation.”

“CEOs are not always very gifted at telling the story (selling the story)!”

Investors may also contribute to this kind of corporate mentality by demanding that management “tends the garden” they have invested in. Moving into new industry sectors via acquisitions may be seen as abandoning the very reason that investors injected cash into the company in the first place. Thus the actions of investors may be blocking the growth opportunities that will deliver the high growth outcomes they are striving for.

According to Gregory Robinson, Managing Partner of Blenheim Partners, “In many ways what we are hearing is that growth is not what is required, but that sustainable growth over the longer term should be the goal. To do this it is imperative that all stakeholders including Boards and Executives align in ensuring that strategies are put in place across the short, medium and long term to ensure sustainable growth over time for companies. A failure to do this will have disastrous consequences, resulting in short-term planning and growth trajectories that over time will challenge the ability of companies to deliver sustainable growth”.

This is because no one will be looking out, asking the “what if” question or “looking over the front of the boat” to identify future opportunities and threats.

This will have consequences for all stakeholders including:

- Reputations of Boards and Executives;
- Earning potential for Executives;

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- Longer term sustainable capital and dividend growth for investors;
- Superannuation returns for Australians more generally to live on in retirement;
- The viability of the companies themselves; and,
- The security of jobs for employees.

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Blenheim Partners is an elite international Executive Search and Board Advisory firm. We specialise in top-level Executive Search, Non-Executive Director Search, and Board Performance Consulting.

Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our clients come from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work is highly international with over 90% of our assignments global in scope.

Our team consists of senior Search Consultants, Human Resource Directors, Psychologists, Coaches and exceptionally experienced Researchers.

Our philosophy is to develop deep and committed relationships with a small number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

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