

Board members need to think long-term to get past the COVID-19 crisis



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How long is your company's real strategic time horizon?

Before your company emerges from the COVID-19 crisis, spend a day, as a board, asking this question and setting the horizon. That way you can, as a director, influence long-term outcomes profoundly and perhaps gain significant long-term strategic advantage for your company out of this global tragedy.

At one end of the strategic time spectrum would be a widely held public company that responds to the incessant pressures of short termism and the unremitting attacks from activist investors. This "Wall Street response" means your strategic time horizon is the next three months.

At the other end of the strategic time spectrum would be a private company, led by a founder, who sees the future as a generation away, at least five years and perhaps 10. Or the family company, in its second or third generation, looking well into the future to the next generation. So many companies follow the Wall Street time horizon that now, in a time of crisis, they cut staff, close factories, exit entire businesses and try to preserve what precious net cash flow they have ... and beg to their lenders for relief.

For example, one of the world's largest hospitality companies was heavily levered, borrowed more and more to buy back their stock at \$150 a share and increase dividends, giving everything back to the shareholders each quarter and leaving

nothing in reserve. They could, if they had the cash, buy back their shares for 50 per cent of what they purchased them for last year, but the entire C-suite is trying to get substantial debt relief and cutting staff aggressively, seriously compromising the quality of their eventual recovery.

At the other end of the strategic time horizon is the world's leading fleet telematics firm – Geotab of Oakville, Ont. Geotab has its fleet management software products in more than two million vehicles in North America. Geotab has been led from Day 1 by founder and chief executive Neil Cawse. It is now 20 years old with a growing global franchise, and the focus is clearly on using the crisis to significantly strengthen and expand its operations and advantage.

First and foremost, Geotab is looking after the health and welfare of its management team. Second, Geotab is actively supporting its partners and ecosystem, helping the trucking industry survive the incredible demands now placed upon it. Thirdly, Geotab is building its future by inviting all the greatest industry talent to join their Geotab team.

The balance sheet resilience has been carefully crafted for more than a decade and now is being put to use to tremendous long-term effect. Geotab will come out of this crisis with an incredibly strong strategic long-term, sustainable strategic advantage.

Four Seasons, another great Canadian global icon of long-term, sustainable, competitive and differentiated advantage, was built by Isadore Sharp around one value proposition: “Do unto others as you would be done by.” Since his first hotel, he has ingrained that value operationally in every management system – his people come first. Only then can the Four Seasons customers be assured of an “unparalleled experience for guests: intelligent luxury service.”

In the hotel crisis that followed the 9/11 attacks,

he had all of his global hotel managers on the phone once a day generating ideas about how to balance the welfare of their colleagues with the staggeringly low occupancy rates. His stock, then publicly traded, tanked, but Mr. Sharp was looking to the recovery and knew that the focus on his people would build a fierce and lasting loyalty. He never wavered.

The recovery occurred and Four Seasons maintains to this day a competitive differentiation that simply cannot be replicated.

I recently asked him how many interactions with customers his employees might have in a year: “Perhaps, 250 million,” he replied.

If culture is what people do “when no one is looking” and there are that many interactions when no one is looking, think how deeply ingrained the core value in each and every Four Seasons staffer is: “Do unto others as you would be done by.” This is the true source of enduring long-term strategic advantage.

My view would be that the creation of long-term, sustainable, differentiated and competitive advantage can be derived only with a strategic time horizon of five years and more. So, what can you do as a board of directors to help create that enduring advantage?

Improve your board's strategic potential to create this advantage by doing three things and doing them ASAP:

- Exit all “ideological” i-bankers. Having expert capital market presence at the boardroom table is essential. But having a robotic i-banker who keeps spouting the shibboleth of “shareholders, shareholders, shareholders” is toxic. Replace him or her immediately.
- Ensure the C-suite is operationally excellent and that the board has rich operational expertise from different industries.

- Hold that one-day “strategic horizon” meeting with clear definition of what a longer-term horizon actually means ... one quarter, one year, three years, five years, a generation.

With these in mind, this crisis can be used to dramatically shift the strategic horizons of your company to the longer term and in doing so help to shift free enterprise and publicly traded companies back to a sense of long termism.

