

# Elephant hunting

By Andrew Cornell, AFR Boss Magazine, October 2008

Myer may have Jennifer Hawkins, Bonds has Michael Clarke but in corporate Australia there is probably no better brand ambassador than Michael Chaney. There he is, the chairman of National Australia Bank and Woodside Petroleum, the architect of the modern Wesfarmers, once billed as Australia's most admired CEO, delivery a testimonial on the website for the Argenti System.

"I am firmly of the view that the Argenti Planning System has played a key role in [Wesfarmers' success]," quoth Chaney.

The Argenti System or, more fully, the Argenti System of Strategic Planning and Facilitation Services, is the construct of Englishman John Argenti, now in his 80s but still involved in developing the system.

His system was the result of "painful trail and error", he tells AFR Boss. "In 1963 I was asked by my then employers to introduce corporate planning into their company. As there were no books I asked five top UK companies how they were doing it. I got five different answers including 'don't know'. So I prepared a plan and presented it to my board. Straight in the bin! My later attempts were sufficiently improved for me to publish *Corporate Planning - A Practical Guide* in 1968. It was only the third book on corporate planning in the world."

Since then Argenti has written 10 books and innumerable articles on corporate planning. The essence of The Argenti System is that it is self-inflicted - no team of consultants piles in armed with the distilled intellectual capital of other clients. The system is willfully big picture.

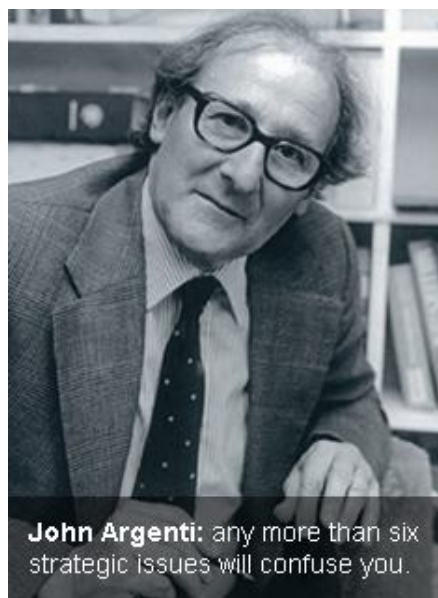
Indeed, Argenti is famous for his "elephants", the big strategic issues (he maintains there are never more than six in any company). Get them right and the smaller issues will fall in line. Get them wrong and smaller issues will be the least of your worries. "Do not have consultants do the planning, or even worse, sell you a ready-made strategy." Argenti exhorts, "Do not make a long list of SWOTs [strengths, weaknesses, opportunities, threats]. Instead make a very short list. Remember you're hunting strategic elephants, a rare species. Do not develop more than six strategies; any more will take you out of strategy into tactics and the complexity will confuse you."

The Argenti tablets are not all prohibitive. Argenti says a gap analysis - to grasp the scale of the strategic leap necessary from where a company is to where it needs to be - is a must.

"We offer extensive check-lists to show how to link up forecasts with strengths and weaknesses to create a set of strategies that are tailored to the elephants," Argenti says.

Chaney says the system suits his belief in "logical incrementalism". "The future is unpredictable. You have to grab yourself the right people and the right balance sheet to take advantage of the opportunities as they have emerged," he says. Chaney's five Argenti points are: what do we exist for? What's our main objective? How have we done in the past? How will we fare if we keep doing what we are doing? What are our strategies to achieve the targets we have set ourselves?

"Our objective [at NAB] is to provide a satisfactory, sustainable return," Chaney explains. "That gives us the scope to take advantage of opportunities. The strategy is not to be Australia's biggest bank or one of the world's biggest banks. So when we look at where our strengths are - agribusiness or wealth management or business banking - we look at where there might be opportunities around the world. So, by definition, we can't say what the bank will look like in 10 years' time. What we can say is we have an understanding of where our strengths are."



## The Argenti System - How it works

1. CEO forms a planning team with no more than six top colleagues, plus an internal or external facilitator.
2. Team decides the corporate purpose and sets two targets: a satisfactory and an unsatisfactory performance. They make two forecasts (optimistic and pessimistic) of their likely performance on their current strategies. They calculate the gap between these targets and forecasts to reveal the size of the strategic task.
3. One-day workshop to extract strongly-held views on strengths, weaknesses, opportunities, threats (SWOT). Skilled facilitation should deliver a marked rise in morale and widespread agreement on the most important SWOTs - Argenti's strategic elephants. Never more than six.
4. Planning team (perhaps with others) considers (1) size and urgency of strategic situation - the gaps; (2) the core of the problems and, miraculously, also the solutions - the strategic elephants which reveal both. A set of strategies emerge.
5. Fine tuning of strategies and board approval. Someone, preferably not the planning team, devises the consequential action plans, business plans, project plans and so forth. Finally, the team sets up a monitoring system to alert themselves when any major trends and events that were not in their plan appear

Little wonder that Chaney is the poster boy for Argenti. He has used it not just in his corporate career but in not-for-profits on whose boards he sits.

Another perspective comes from Wesfarmers' chairman and Chaney's predecessor as CEO, Trevor Eastwood. "Wesfarmers probably made the Argenti System as much as the Argenti System has made Wesfarmers," he says. "I chose to use that at the time because it reinforced all the sorts of things we were trying to do. Because it was a very powerful tool, people believed the tool was the answer rather than the philosophy and culture and accounting or performance measurement systems we were putting in."

What Eastwood and Argenti both emphasize is how primitive business analysis was in the '60s. Eastwood says he sat down with a Hewlett-Packard calculator, analysed the top 100 companies and discovered - revolutionary thinking then - they all had excellent returns on shareholders' funds.

Argenti chose to concentrate on strategic planning because the response to the first publication was so strong. "I made several changes," he says, "and published Systematic Corporate Planning in 1974. Many dozen clients later, the final version was set out in Practical Corporate Planning published in 1980." That's the rather dog-eared version Chaney still has.

Argenti has kept the system's distribution and application current, publishing box sets and now a downloaded version. He says the system's principles are timeless and universally applicable but it doesn't always work. "I had two failures out of the 100 or so," he says. "Both related to the CEO being so autocratic that no one else got a word in."

His current focus is not-for-profits - an interest shared with Chaney - where he sees a huge gap between aims and outcomes. "NPO [non-profit organisations]" can't measure their performance. It's useless telling us that a children's charity has 'helped' 1000 kids; I want to know what happened to them 10 years later; how many are still unemployed? In prison? Got a degree? If we don't know these figures - and we don't - we know nothing about that charity's value to society."

But he describes himself as highly optimistic about the private sector: "They are getting better. When I started in 1968 I had to explain what gearing meant to finance directors. The Argenti System warns against acquisitions as a strategy but even these tricky strategies are failing less often these days."