

INSIGHTS

Focusing on the Mission While Watching Macro Trends

Publications

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The flow of media coming at us reminds us that we continue to live in the challenging times that began in 2007. For our clients and companies, we can provide effective leadership and advice by maintaining focus on our missions. Through focus on a commonly understood corporate mission while watching for macro trends, we reduce the risk of unstable environments. We see three macro trends that merit attention.

The US Common Market Is Fraying. The use of local and state based activity for policy purposes is rapidly increasing. Local activity is concerning because the US is the first true common market of the modern era. The shift of power and policy in Washington has caused states and municipalities who disagree or see a vacuum to increasingly act unilaterally by law, regulation, investigation and lawsuit. A breakdown in national standards, however achieved, increases risk and costs. Companies should evaluate with their advisors where and how they do business and the impact of the increase in local activity.

Reduced Returns Heighten Focus on Costs. Over the past 12 months, sectors of the financial industry have seen their top line performance move more in line with the broader indices while others have moved to greater returns as the costs of Financial Crisis based litigation fades. Whether due to revenue and performance reduction, or normalized conditions, expenses, particularly legal related, become more important. Moving to lower cost solutions may not have been practicable as firms worked through the Financial Crisis, but now that those specific matters have been fading or are in business as usual processes, an opportunity for a reduction in spending has arrived. More importantly, as income growth above macro-economic growth continues to be difficult, it is a necessity. And those savings may be outside the traditional money centers. (Note the July 26 WSJ article on the rise of Denver as a financial center driven by lower costs than the NYC and San Fran.)

Process-Based Management Can Be More Fully Deployed. Another trend is the relentless focus on ever more efficient execution through process. The trend has many drivers, including challenges to profitable products by upstarts and reduced top line returns. Through relentless focus on cross-functional analysis and process, firms can aggressively respond to our environment. An example of an established industry understanding and meeting its competitive threats through process-based work is the Clearing House's transformation from multi-day to real time payments.

Decision-making based on process-based analysis remains underutilized. We are regularly retained to advise on practices that have a historical rather than an analytic genesis. As control partners and leaders, we can

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help our firms thrive by engaging in and supporting process-based and data driven decisions. Through painstaking data-based analysis that reduces inherent bias, more objectively reasonable and ultimately better decisions are made. Culture is important, but without rigorous process it is ineffective and creates unacceptable risk, including unmeasured or misperceived behavior. Strong processes identify and mitigate the influence of any dangerous micro cultures.

For an excellent description of process-based competitive change leading to extraordinary understanding and ultimately value, including the identification and elimination of subcultures, we recommend Bryce Hoffman's book on Ford Motor Company's recovery, *America Icon*.

Recent events, including the SEC's pursuit of RPM International, Inc. and its long-time general counsel, as well as the ongoing anti-bank tone of main line media highlight the perils of undervaluing the decision-making process at a micro and macro level.

At Moore & Van Allen, we enjoy partnering with our clients to support and engage in successful process-based analysis and remediation for the efficient resolution of our clients' needs.