



Case Study

SUBJECT:

STRATEGIC FOCUS

EVENT:

ABN AMRO BANKING (2000)

SUMMARY:

In the early 1990's, ABN AMRO board consisted of the Chairman and five top executives. The bank faced no real capital constraints and very few important resource trade-offs. During those years, the bank had what Rijkman Groenink, Board Chairman, referred to as, "the luxury of capital and talent". The board spent their meetings discussing daily operations and reviewing loans. With little concern for competition, there was no effort to define a strategic focus.

ABN AMRO recognized the importance of devoting a more significant portion of their time and efforts to defining and understanding their strategy in an emerging globally competitive market. Operational reporting took on a new significance when placed in context with an understanding of results and performance with relevance to future goals and strategic focus.

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Strategic Focus – ABN AMRO

When Groenink became Chairman in May 2000, ABN AMRO faced significant resource constraints. He faced considerable global challenges from J.P.Morgan Chase, ING and Citigroup. Confronted by the growing competition, Groenink determined that “a new and more disciplined approach to resource allocation” would be required to survive. He transformed the board from managing daily operational functions into a authoritative body for initiatives and actions.

To demonstrate the radical change in approach from operational management to strategic focus, Groenink made visible and fundamental changes to the schedules and structure of the board meetings. Previously the board members had met twice a week for three hours to discuss operations. In Groenink’s new structure, the operations meetings were limited to once a week executive briefings, and one full day each month to debate strategy and make important resource allocation decisions. The new structure required management to spend less time talking about operational issues and more time addressing them. In addition, the new structure devoted significantly more time and focus on strategic coordination.

Since these changes in executive strategic focus, ABN AMRO has dramatically improved the effectiveness of the meetings and the board members. The clear delineation between operational discussions and strategic focus enabled management to enhance performance in both roles. To further improve accuracy and expedite the operational reviews, ABN AMRO installed Performance Reporting Systems to allow management an opportunity to analyze results and identify exceptions. This empowered the board members with reports that measured results, and gave them more time to focus on strategy.



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