According to the classic *Art of War* written 2,500 years ago by Chinese general Sun Tzu: "The general who wins a battle makes many calculations in his temple ere the battle is fought. The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory, and few calculations to defeat: how much more no calculation at all! It is by attention to this point that I can foresee who is likely to win or lose."

But while the world of corporate financing expends a great deal of very valuable resource in devising perfectly sensible plans, this thinking is subsequently refined and polished to extinction. As a result, enormous amounts of absurdly high-octane original thought and cutting-edge theory evaporate on the overheated tailpipes of the latest product innovation.

In short, the problem is not lack of thinking, but lack of action. Great ideas need to be implemented. Now. Not next year. Now.

Recently, I had two eerily similar meetings on two entirely separate matters. In both cases, I was advising FTSE 250 companies on acquisition financing for UK public takeovers and in both cases normal topics for debate had been superseded – again – by approach to pensions, pension trustees and the Pensions Regulator.

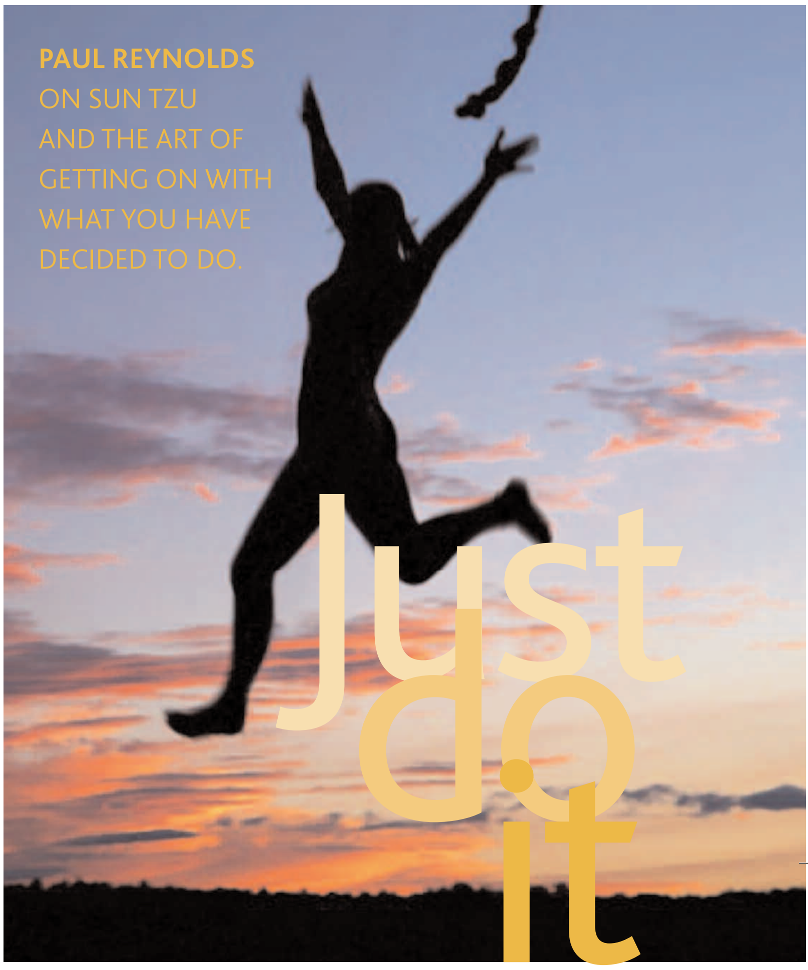
What was interesting was that in both cases (as if a public takeover with pension deficits in the targets were not complicated enough), the additional complexity generated by the pension positions of both the acquirers could have been eliminated if the companies in question had created a board of genuinely independent trustees and eliminated their modest deficits (as they had both been advised in the past).

Both companies claimed they had planned to do these things but just hadn't. In both cases they admitted to wishing they had when they could have – because, boy!, did they pay the price of dealing with them as part of another already complicated process.

Here's another example of the cost of inaction. In late 2005, a FTSE client whose £1bn bank deal I had advised on summoned me to its office. The finance director described its acquisition plans and the treasurer explained the committed funding "challenges". A sensible discussion of capital and funding structure and various financing options followed. Diversifying out of the banking market was agreed, a US private placement was to be issued, a plan to be implemented. And immediately, nothing happened. Nothing happened for nine months, in fact, until a class 1 public UK acquisition on a six-week timetable landed with a thump on the desk of a treasurer with oodles of debt capacity but little committed headroom. A properly managed US private placement turned into an expensive, rushed bank-bridge to a tied US private placement mandate.

These specific situations happen to be the most recent examples of inaction complicating subsequent action. I am not suggesting that any specific course of action is universally desirable. As usual, the benefit of hindsight is wonderful, judgement on strategic direction is often finely balanced, options open to some are not available to others, and limited resources mean that difficult choices have to be made, and so on. In any case, who can foresee the full consequences of any course of action – or inaction? But I can't help thinking that many of the problems I am asked to help solve could be avoided altogether if more difficult strategic decisions were taken and then implemented in a timely way.

Whether this is sorting out pensions issues, diversifying funding out of the bank market, repaying/tweaking those US private placement notes, making that disposal, developing that new banking relationship, reviewing more esoteric funding instruments (convertibles, securitisation, property company/operating company), refinancing the bank deal, creating more committed headroom, amending those covenants or at least – heaven forbid! – discussing issues with advisers early enough to identify problems and do something about them or



Executive summary

- Whatever the operational problem, it is typically possible to avoid ever having to solve it by taking the more difficult strategic decisions and then implementing them without delay.

plan around them. Many of the complications in my clients' affairs (and costs at that point) arise because decisions were not made and in particular action was not taken when it could/should have been. More generally, how often have you smiled sceptically when reading takeover defence statements that refer to the implementation of previously agreed (capital restructuring) plans?

Although we do get paid for solving problems when they do arise, it strikes me that it may be more efficient (although not as remunerative for us) if they can be avoided in the first place or resolved when identified. In short, once agreed, strategic plans should be implemented without delay. Let's give Sun Tzu the final word:

"The art of war teaches us to rely not on the likelihood of the enemy's not coming, but on our own readiness to receive him; not on the chance of his not attacking, but rather on the fact that we have made our position unassailable. Whoever is first in the field and awaits the coming of the enemy will be fresh for the fight; whoever is second in the field and has to hasten to battle will arrive exhausted."

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