Boards, CEO, Executive Teams and Business Unit heads are still expected to deliver results in this environment

The **complication** is:

• In excess of **85 %** of Strategy initiatives **fail**

• Over **90 %** of large capital projects significantly **over run budget and schedule**

• The **majority** of cost cutting initiatives **fail to sustain their gains**

The primary reason is we ignore the human factor consistently in all these areas. We fail to engage the key stakeholders in the evolution of their own future. This lack of engagement then leads to a lack of accountability. As you know from the old saying "Culture trumps strategy nine times out of ten" so unless you get the management culture and capabilities right, the clear vision and creative strategy will struggle to work (at best).

So the challenge is to develop the integrated capabilities to think and act clearly while engaging your team and other critical stakeholders

Research* shows that there is an extremely high failure rate for strategic initiatives > 80 %

Primary causes of failure have been identified as:

1. Relentless pressure from shareholders for greater profitability, requiring business leaders to redefine their strategy more frequently.

2. The increased complexity of organizations means strategic initiatives are likely to require active engagement of a diverse range of people supported by effective processes, structures, technologies, suppliers, and business partners that work both within and across multiple boundaries

3. The difficult balancing act faced by managers to meet the demands of successfully executing complex strategic initiatives at the same time as delivering today's business performance

4. Low levels of involvement and engagement of the multiple layers of managers and key stakeholders in the critical early stages of strategy execution

5. The competition to secure the scarce resources to execute the strategy.

* Research findings of Dr. Arnoud Franken, Senior Research Fellow , Cranfield School of Management

Large Capital projects also fail frequently > 80 %

Research# shows that one of the critical sources of failure is cultural, a mindset problem caused by **"delusional optimism"** or cognitive bias – demonstrated by:


- ➤ Anchoring – overly optimistic forecasts with limited willingness to vary them
- ➤ Competitor neglect – ignoring competitor capabilities and plans
- ➤ Exaggerating our abilities and control – attribution error (identifying the internal causes of success but blaming external sources for failure)
- ➤ Approving projects with highest probability of failure – competing for scarce capital leads to over promising outcomes
- ➤ We reward optimism and marginalize pessimism

Whilst focusing on improved skills, practices and systems can be used to address process-based causes of failure, delusional optimism and cognitive bias necessitates a change in culture and mindsets.

Lovallo & Kahneman 2003

For change to be sustainable the research also has some clear guidelines

✓ A **clear focus** on building **sustainable long-term** Value as the cornerstone of organisational **and** career success

✓ A **shared commitment** to being the best in the world at what we do

✓ Understanding the importance of solutions built on '**and**' rather than 'or' – **how to deliver agility and growth and low costs, lean practices/structures and** fulfilling careers offering high rewards

✓ **Organisation-wide commitment** to continuous improvement and global best-practice through the relentless search for **value-adding innovation** and a commitment that 'good enough never is'

✓ **Fast, agile and innovative strategic decision-making** that is objective, evidence-based and information driven

✓ **Leadership throughout the organisation** focused on creating and sustaining a legacy – a world-class organisation and culture that the best people want to work for and customers want to work with

^ Collins & Porras 1994, Collins 2001 & 2011
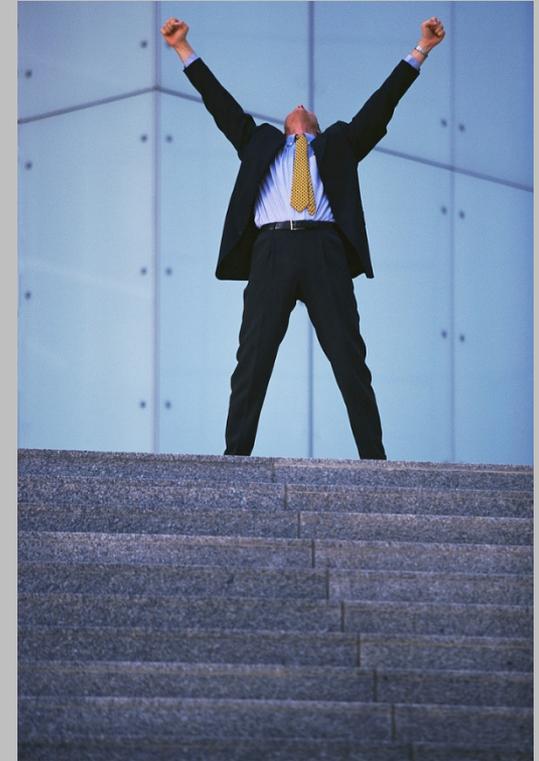
This approach is verified by recent research in the Australian High Performing Workplace

True value is created not be individual leaders acting on their own but by well led and motivated teams having an impact on the whole organisation.