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Insight guide

Ideas have no intrinsic value until they are executed successfully

David Hilliard: Reflections on a lifetime in strategy execution

May 2022

Most companies operate outside their circle of competence when executing strategic programs.

According to the C-suite Outlook 2022 from The Conference Board, accelerating digital transformation is one of today's top 5 priorities for CEO's.

Whatever your definition of "digital transformation," the undisputed fact is these programs should be decisive in shaping the future success of organisations today.

And, if you're serious about accelerating digital transformation, you'll have to strengthen your company's circle of execution competence to successfully deliver business-critical programs.

The reasons are incontrovertible.

McKinsey's 2019 research found that 70% of major transformations failed to be successfully executed every year. In 2015, it was estimated by Genpact that the annual global cost of digital transformations failing to deliver was $400 billion. It's likely to be far higher today. PWC estimate that IT failures cost the US economy alone up to $150 billion in 2021.

Staggering. But hardly surprising.

Big numbers like these are hard to get your head around. Even if they were only a fraction of these, everyone knows the numbers are appalling around delays, overspends and flameouts on transformation programs.

The truth is: business-critical programs force most companies to operate outside the edge of their circle of competence. And while many companies are jam-packed with competent professionals, recognising what they can't do is more valuable than being brilliant at what they can do.

You need to be smart about defining the edges of your circle of competence and know when you're outside of it. If you're securely inside your circle, you have an edge. But when you're outside of it, that's when things get dangerous.

As Warren Buffet put it:

"Know your circle of competence and stick within it. The size of that circle is not very important; knowing its boundaries, however, is vital."

Many companies don’t know what they aren’t capable of.

My close friend is a surgeon. He has a circle of competence built from three decades of study and practical experience. Few people have his circle of competence - and they can’t easily get it. You just can’t read a few books on surgery and then go out and practice. His circle of competence is very specialised.

So, when it comes to business-critical execution, you really have to know when you’re outside your circle of competence and bring in expert help to plug any gaps you have.

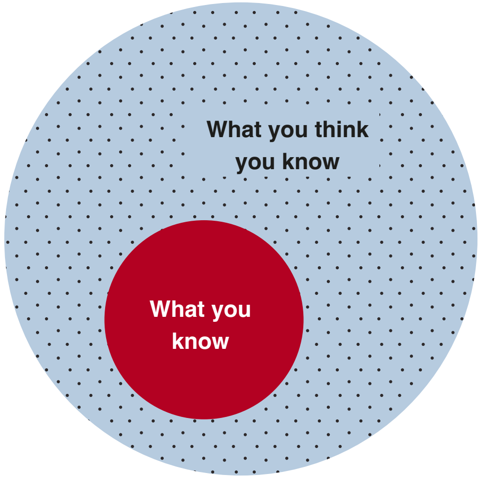
Companies don’t think twice about doing this if they have a strategy gap. They don’t bat an eyelid.

Yet, where they have massive execution gaps, they either don’t recognise it - or have somehow persuaded themselves they can execute successfully, without expert help.

The bottom line is:

Many companies don’t know what they aren’t capable of - and this is why the bulk of my work has been in program “rescue” for more than 30 years. On complex “bet the company” programs, the same howlers crop up over and over again – blunders that would simply not be tolerated in any other business discipline.

The Circle of Competence



“Ideas are cheap, execution is everything”.

We are awash with ideas, innovation, and creativity. Just look at LinkedIn on any given day. I could fill my entire calendar with webinars promoting yet another great idea that’s going to change the paradigm.

But these ideas have no intrinsic value unless they are executed successfully.

Chris Sacca, angel investor in Twitter and Uber put it very succinctly:

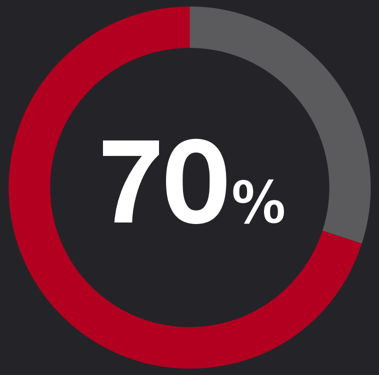
“Ideas are cheap, execution is everything”.

The plain fact is that executing business-critical programs is hard.

As **Ted Levitt**, former editor of the Harvard Business Review, said:

“As anybody who knows anything about any organisation knows only too well, it is hard enough to get things done **at all**, let alone to introduce a new way of doing things, no matter how good it may seem.”

This Insight Guide explores how these management blind spots come about - and outlines an agenda for sidestepping the most glaring gaffes.



of major transformations failed to be successfully executed every year.

McKinsey 2019 research

Sadly, program rescue is the norm

Reconstituting business-critical programs is hugely time consuming and expensive – and never achieves the original objectives.

Why do smart executives drag their feet so much before taking radical action? Why does it take some dramatic force to realise the emperor has no clothes?

Sadly, these days it's regarded as "the norm". Yet, it needn't be that way.

Typically, a client program had been off the rails for many months, despite management attempts to retrieve the situation.

A short Healthcheck usually revealed the program was not anywhere close to meeting the client's original objectives. Signs of crisis are everywhere – frantic activity; extensive overtime; impressive looking presentations; crisis-driven war rooms and people working as individuals, focused on getting "their bit" right.

So, why do so many CEO's who seem passionate about building high-performance organisations, delay taking action for so long? Why do smart, no-nonsense CEO's back off making decisions about bringing in expert help in the face of incontrovertible evidence their program team is pushing water uphill with a rake?

“For the most part, it was top management gone AWOL - dressed up as delegation.”

At first, the signs of trouble trickle out slowly. Perhaps, a critical milestone has been missed – or a key customer has complained. Maybe some team members seemed at the end of their tether. Or perhaps the CEO has seen the warning signs before and has a “feeling” the story does not hang together?

Something like this is usually the trigger event – the event that prompts the CEO to dig deeper.

The reasons programs continue to nosedive have remained constant across the years, irrespective of the business sector. To understand why it took so long to take action, it’s worthwhile reflecting on the typical circumstances that first led to the problem.

At one end of the scale, explanations range from vague objectives; fantasy plans; dreadful supplier performance and hopeless control systems.

At the other extreme – truant sponsorship; unworkable organisation structures; under resourced teams – and karaoke program management.

More often than not, the critical link between strategy and execution is broken. Many “strategic” programs are not treated as if they’re strategic at all.

The program sponsor tended to be an “absentee” Director who set objectives, allocated funds, selected the Program Manager and held sign-off authority.

But, for the most part, it was top management gone AWOL - dressed up as delegation.

$150bn

cost of IT failures to the US economy alone in 2021.

PWC estimate

It is almost unheard of to find a Program Manager reporting to the CEO

Even when the journey from boardroom to marketplace has to pass through a "bet the company" program, it is rare to find a Program Manager reporting to the CEO. It does happen - but it's rare.

The nuts and bolts of program management are of low interest to most CEOs, until something goes awry.

For this reason, programs are typically given to someone we'll call the "Most Affected" Director. This is not a real title - but it's usually the person responsible for the function most impacted by the change.

This appointment is a bizarre organisational mystery – because these individuals normally don't have either the time, inclination or experience to manage the program.

Regular business calamities prevent them from spending any more than 15% - 20% of their time on the program. Instead, they delegate responsibility to one, but more usually to two or three managers.

So, in this kind of setup, the barriers to becoming a program manager are so low that a turtle could jump them.

It's easy to see why business-critical programs do not get the organisational visibility and experienced management they need.

What's more, the "most affected" function occupies a privileged position in the business, at the expense of other functions.

Eventually, communication between functions becomes tribal; critical dependencies are missed and a "finger pointing" atmosphere develops. Over time, the program loses focus and priority with other functions, with predictable results.

No experienced Program Manager, worth a candle, would consider working in a hare-brained "mission impossible" setup like this. But it happens every day of the week across industry - over and over again - with the same result.

However well intentioned, the "Most Affected" Director appointment is a complete abrogation of responsibility by top management. An ineffective management mechanism for dealing with a thorny organisational problem known as . . . "who do we have that's senior enough to run this program?"

Sadly, it's a deeply flawed management delusion. It's the worst way to fill a leadership position on a business-critical program and always leads to an execution debacle. It doesn't happen overnight – but eventually it does.

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Resource allocation is another chronic issue

Programs always require more resource than a company makes available. But, on a misfiring program, there is one never-ending feature magnifying this jam. That is, a plan based on a relatively small core execution team, supported by dozens of “partial people” from other functions.

It looks mesmerising in PowerPoint. But in reality, it’s unmanageable - a huge drag on the program - causing massive friction, time-wasting and unproductive complexity and finger-pointing between functions.

Timesharing resource like this is a sure sign the business hasn’t done enough to understand the challenge - and convert “strategy-speak” into action.

The CEO is in a tricky situation

Yet, to understand why many CEO's wait for so long to take action, it's worth reflecting on the unenviable position the CEO is in. They have a full diary with tons of competing distractions for their time.

One of their direct reports "owns" the program – probably the "Most Affected" director. A person they trust - and with whom they may have had a long business relationship. It's safe to say there's a strong loyalty factor in play.

Initially, the CEO feels the problems are a temporary setback which will be swiftly dealt with. But this is an instinct, based on a colleague's historical performance. It's rarely based on personal, in-depth experience of running complex programs.

This "experience" issue is of huge consequence. Experience matters - because what people don't know can really hurt them.

By contrast, a CEO with a Sales, Marketing or Financial background will instinctively sense that something is wrong in any of one of these functional areas. They'll see a big red flag telling them the story they're hearing doesn't make sense. Yet, they also know from experience they can fix most problems before they get out of hand.

So, although they may have macro-level knowledge of business-critical programs, they don't normally have the background or experience to make comparable judgements about what it takes to run one.

Here, the CEO is utterly reliant on the "Most Affected" Director, who also doesn't have the hard-bitten experience to "know" when a program is in deep trouble either. Typically, they have a different skillset which was honed in another domain like, Operations or Technology.

“The person running the program is two levels down the management chain playing ping-pong in a wind tunnel”

In truth, when the various owners, sponsors, and directors are peeled away, the person actually running the program full-time could be one, but more likely two or three levels down the management chain.

They’re focused on the mechanics of the program - and may be familiar with project management methods and terminology. But they usually haven’t run a business-critical program personally before.

Worse, they usually have no organisational power in the company and are seldom seen as a “superstar.”

Let’s face it, they have an impossible job. Almost certainly, they play ping-pong in a wind tunnel all day long with other functions and external suppliers.

The bottom line is: this cocktail of CEO, “Most Affected” Director and underpowered Program Manager is deadly.

Together, they add up to one of top management’s biggest blind spots in executing major programs.

Unlike the earlier Sales and Marketing example, where the CEO and another director would clearly have complementary experiences that would allow problems to be jumped on and fixed – this is hardly ever the position on a business-critical program.

$400bn

Global cost of digital transformations failing to deliver.

Genpact estimate

“The situation is tight but achievable” - weasel-words for “we’ve already blown it.”

What normally happens next is the CEO asks for a drill-down on the plan to flush out “all” of the problems and to set recovery actions in motion.

This exercise is taken seriously. No one wants to look bad.

Yet, even if people feel there are problems, there’s a natural tendency to suppress bad news, be relentlessly optimistic and ignore the elephant in the room.

There’s always a healthy willingness to bend the truth – to view problems through terribly dark parochial glasses and to tell the CEO what they want to hear.

We call this “optimism bias”.

At the next CEO review, a “collusion of optimists” presents the revised plan. A few new problems may be exposed but teams pretty much always dress these up in that well-known cliché - “the situation is tight, but achievable.” These are weasel-words for “we’ve already blown it.”

Top management always filter out the “tight but” half of the sentence. Everyone focuses on the word “achievable” - and that’s all they hear.

In truth, the “achievable” label is not an expression of confidence, or anything like it. Instead, it’s a meaningless linguistic manipulation, loaded with vagueness and wishful thinking.

So, no matter. The executives are reassured and, with huge relief, the revised plan is accepted because there’s consensus it’s achievable. And the program management team has bought some time – for now anyway.

Depending on the size of the program, this pattern repeats itself at intervals, typically every 3-6 months. In some cases, it may be longer before a sense of crisis compels the CEO to admit the company must take exceptional measures to salvage the program.

It's vital to bring in experts in program execution

This pattern is usually repeated many times before I meet with a CEO to explore how I can help.

The similarities between programs were truly remarkable. And many of these were being run by companies with well-known names.

So, after an initial discussion with the CEO, a program Healthcheck quickly got underway.

Senior managers, who have been marginalised by the program and have a political agenda, can be a bit of an irritation at this point.

Being wise after the event, they seize the opportunity to vent frustrations, and attempt to land a few metaphorical punches on the "Most Affected" Director - and some of his key people. But this petty playacting is usually well-telegraphed and pretty transparent.

Most team members are very supportive during a Healthcheck. It's a chance to clear the decks. If you are sick, there's not much point in playing a poker game and making the doctor guess what's wrong. There's nothing to be gained by holding back.

What is significant is that many people in the execution team knew the program had deep problems. But they had been "silenced" in one way or another – and had given up long ago.

They were sitting on their hands, leaving the program leadership team and top management to talk themselves to death.

The great thing about facts is they destroy "opinion."

Following the Healthcheck, it's usually clear there's a considerable mismatch between what the CEO was expecting and what the actual position is.

Facts are compelling. The great thing about facts is they destroy "opinion."

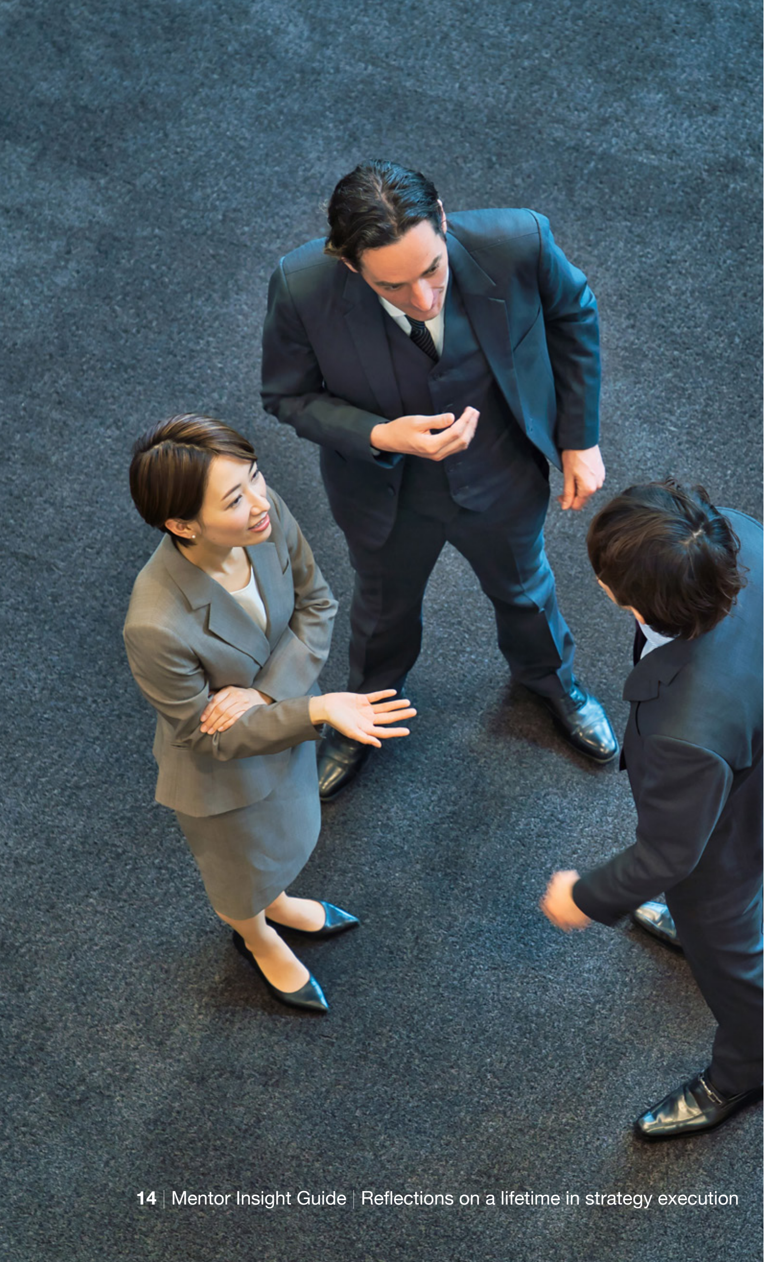
The facts clearly demonstrate the program team has been juggling soot for about 6-12 months. Worse, the program has passed the point where full retrieval is possible. So, the program must be replanned.

The program then takes longer to complete. The budget is effectively out of the window and there's usually substantial lost or delayed revenue too.

The focus of this exercise is largely centred on "phasing" the program - and preparing fallback options to salvage as much as possible from the original objectives. And to begin the process of mending the reputational damage that invariably comes with disappointments like this.

There's normally some pushback from the CEO and his team, revealing a lingering sense of denial about the seriousness of the position.

There's also extreme reluctance to make tough decisions about the future composition of the program leadership team – and, despite the evidence, various organisational fudges are sometimes put forward to spare the blushes of the "Most Affected" Director or a karaoke Program Manager.



“If we were talking about a doctor who killed more patients than they cured, people would be outraged”

Yet, in many cases, it’s quite wrong to criticise these individuals – since the blunders are mostly to do with how top management sets out its stall to run complex programs.

The facts usually reveal an “impossible” challenge - with inadequate skills and resources - that would have been very hard for any internal executive to argue against in a “can do” culture.

Frankly, putting executives in this unwinnable position has destroyed many careers.

But here’s the thing. If we were talking about a doctor who killed more patients than they cured - or a teacher whose pupils got more stupid as the year progressed. And then discovered this was the rule, rather than the exception, people would be outraged and demand something must be done.

In situations like this, it’s baffling why sensible executives remain so hesitant when confronted with undeniable facts.

Every replan is essentially about getting everyone back to basics – and developing a realistic route forward to minimise damage and get the job done.

It’s an expensive and time-consuming exercise. Reconnecting the strategy with execution; restructuring the program organisation to give it the visibility it needs; strengthening the program leadership team; filling critical skill gaps; reconstructing plans; revising budgets and revenue forecasts – and revitalising control systems with some “bite.”

Depending on the circumstances, we would then normally complement the internal program team with an experienced squad of up to 6 people. In many cases, this included a new interim “heavyweight” Program Director.

“Why didn’t we do all this in the first place – why did we have to endure so much pain?”

When all this has been approved, what happened next was quite astonishing.

Finally, the CEO makes the program priority very clear to the rest of the executive team. They agree the new Program Director will get the visibility the program deserves and report to the CEO - or another board level sponsor.

The CEO agrees to chair the Program Review Board personally – and guarantees to remove speed bumps, as required. Moreover, substantial additional full-time resource is always committed to the program to underpin the revised schedule.

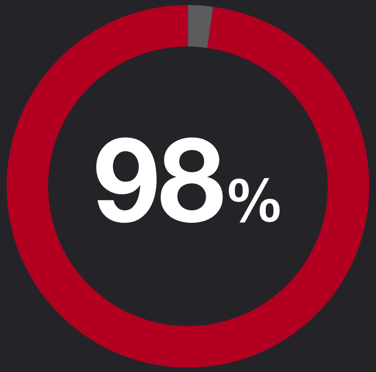
Naturally, these dramatic signals demonstrate something very significant.

In the end, companies do whatever is necessary to fix the problem. Cost is never an issue. But it does prompt people in the business to ask “why didn’t we do all this in the first place – why did we have to endure so much pain?”

Why indeed?

The positive consequences of these actions are far-reaching. The demotivated program team develops a new sense of energy and purpose, performs way beyond expectations and converts what initially appeared to be “impossible” into a rational proposition.

Amazingly, over 98% of these people, were typically the same people who worked on the previous “failed” effort and subsequently celebrated a fabulous victory.



are typically the same people who worked on the previous “failed” effort.

What do you do when your luck runs out?

The business landscape is littered with expensive strategies that failed in execution.

The same problems are repeated year after year. And many of the same people do it again and again not only in the same companies – but elsewhere.

Bottom line: businesses put enormous investments into crafting the "perfect" strategy and then screw it up with sloppy execution. Yet, in what is a baffling contradiction - cost is never an issue when they are forced to sort it out.

Key question: why don't companies make the same investments to make sure they have realistic plans, capable program leadership and enough of the right skills and resources to get the job done?

“How much sooner would problems be identified and knocked on the head, if the initial plans were independently reviewed by execution experts”

If a business is about to embark on a business-critical program, the CEO should ask some penetrating questions about “capability” - and give the business a fighting chance of winning.

If the business is already executing a program they have doubts about, there’s little point in waiting for an expensive “rescue” situation to develop.

Most executive teams dawdle for far too long before acting – and, with hindsight, always wonder why they waited so long.

How much sooner would problems be identified and knocked on the head, if the initial plans were independently reviewed by execution experts – and if the ongoing control system had regular independent reviews built in?

The answer is really obvious – but in 30 years I’ve never seen these simple measures in place. It is literally spending a little - to save a lot.

It doesn’t sit well with tough “can do” cultures.

While independent reviews are not a cure-all for every situation, unquestionably they provide another view to the one put across by the “collusion of optimists.” More importantly, it gets preventive and remedial action moving faster.

William Nicholas, a former Managing Editor of Business Week put it this way:

"It was very nice to be an executive, but on the other hand, to the extent that you climb up in your job, you tend to leave behind you the people on whom all power, influence and success depend.

As you go up, you pass the timberline, the fog rolls in and you lose sight of the valley down below ………. If you are not careful, you will forget those plain people from whom all your strength must come.

If you are not very careful, you will lose the wavelength that goes into their lives and thoughts. And if that happens, then all the gimmicks in the world will not help."

Get in touch

If you're about to set up a program - or think your existing program might need a reset, email us at. enquiries@mentoreurope.com.

Why Mentor

Mentor has three solid decades of experience in running difficult, business-critical programs in the UK and European telecoms markets. Breaking new ground by helping to create some of the first wave of Alt.net deployments, Mentor has worked behind the scenes with most of the UK's infrastructure players.

With our strong industry relationships and independence – combined with deep design, operational and commercial experience – we will work with you and your team to provide the people, resources and expertise to get your business-critical program over the line – with certainty.

We call it the Mentor Way.

Mentor Europe Associates Ltd, Elsley Court,
20-22 Great Titchfield Street, London W1W 8BE

enquiries@mentoreurope.com